

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Share Offer, 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 all your shares in Mengke Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the Form of Acceptance, make no representation as to its 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 Form of Acceptance.



Champion Alliance International Corporation Mengke Holdings Limited

冠均國際有限公司

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

盟科控股有限公司

*(Incorporated in the Cayman Islands
with limited liability)*
(Stock Code: 1629)

**COMPOSITE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFER BY
SSIF SECURITIES LIMITED**



**FOR AND ON BEHALF OF CHAMPION ALLIANCE INTERNATIONAL
CORPORATION TO ACQUIRE
ALL THE ISSUED SHARES OF MENGKE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND THE PARTIES ACTING
IN CONCERT WITH IT)**

Joint Financial Advisers to the Offeror



Independent Financial Adviser to the Independent Board Committee



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

A letter from SSIF Securities containing, among other things, details of the terms of the Share Offer is set out on pages 6 to 20 of this Composite Document. A letter from the Board is set out on pages 21 to 26 of this Composite Document. A letter from the Independent Board Committee containing its advice on the Share Offer to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages IFA-1 to IFA-23 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer and other related information are set out on pages I-1 to I-8 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Share Offer should be received by the Share Registrar by not later than 4:00 p.m. on 10 December 2018 or such later time and/or the date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

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

This Composite Document will remain on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <http://www.mengkeholdings.com> as long as the Share Offer remains open.

19 November 2018

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and further announcement(s) will be made in the event of any changes when appropriate. Unless otherwise specified, all time and date in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date
Despatch date of this Composite Document and the Form of Acceptance (<i>Note 1</i>).....	Monday, 19 November 2018
Share Offer opens for acceptance (<i>Note 1</i>).....	Monday, 19 November 2018
Latest time and date for acceptance of the Share Offer (<i>Notes 2 and 4</i>).....	4:00 p.m. on Monday, 10 December 2018
Closing Date of the Share Offer (<i>Notes 2 and 4</i>).....	Monday, 10 December 2018
Announcement of the results of the Share Offer as at the Closing Date to be posted on the website of the Stock Exchange (<i>Notes 2 and 4</i>).....	No later than 7:00 p.m. on Monday, 10 December 2018
Latest date for posting of remittance for the amounts due under the Share Offer in respect of valid acceptances received under the Share Offer (<i>Notes 3 and 4</i>).....	Wednesday, 19 December 2018

Note 1: The Share Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Share Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section headed “4. Right of Withdrawal” in Appendix I to this Composite Document.

Note 2: In accordance with the Takeovers Code, the Share Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Share Offer is 4:00 p.m. on Monday, 10 December 2018. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on Monday, 10 December 2018 stating whether the Share Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Share Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Share Offer is closed to those Independent Shareholders who have not accepted the Share Offer.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Note 3: Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Shares tendered under the Share Offer will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible but in any event within 7 Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

EXPECTED TIMETABLE

Note 4: If there is a tropical cyclone warning signal number 8 or above, 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 Share Offer, the latest time for acceptance of the Share Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day;
- (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 Share Offer, the latest time for acceptance of the Share 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.

Save as mentioned above, if the latest time for the acceptance of the Share Offer and the posting of remittances do 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 Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“Acquired Shares”	means the 375,000,000 Shares, representing 75% of the total number of Shares in issue, as to 350,000,000 Shares held by Champion Alliance, representing 70% of the total number of Shares in issue; and as to 25,000,000 Shares held by Million Success, representing 5% of the total number of Shares in issue as at the Latest Practicable Date
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code or the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Champion Alliance” or “Offeror”	Champion Alliance International Corporation (冠均國際有限公司), a company incorporated in the British Virgin Islands
“Closing Date”	10 December 2018, being the closing date of the Share Offer, or if the Share Offer is extended, any subsequent closing date(s) of the Share Offer as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Mengke Holdings Limited (盟科控股有限公司), a company established in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1629)
“Completion”	completion of the SP Agreement
“Composite Document”	this composite offer and response document dated 19 November 2018 jointly issued by the Offeror and the Company (together with the Form of Acceptance) to the Shareholders in accordance with the Takeovers Code in respect of the Share Offer
“Directors”	the directors of the Company

DEFINITIONS

“Executive”	Executive Director of the Corporate Finance Division of the SFC or any of his delegate
“Facility”	a loan facility of up to HK\$450,000,000 in aggregate granted by GF Securities and SSIF Securities as lenders to the Offeror as borrower
“Form of Acceptance”	the form of acceptance and transfer of Share(s) in respect of the Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“GF Capital”	GF Capital (Hong Kong) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in respect of the Share Offer
“GF Securities”	GF Securities (Hong Kong) Brokerage Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Happily Soar”	Happily Soar Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee” OR “IBC”	an independent committee of the Board comprising the independent non-executive Directors who have no direct or indirect interest in the Share Offer, has been established for the purpose of advising and giving a recommendation to the Shareholders other than the Offeror and parties acting in concert with it in respect of the Share Offer and in particular as to whether the terms of the Share Offer are fair and reasonable and as to acceptance of the Share Offer
“Independent Financial Adviser”	Grande Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Share Offer
“Independent Shareholders”	all Shareholders other than the Offeror and parties acting in concert with it

DEFINITIONS

“Joint Announcement”	the joint announcement of the Company and the Offeror dated 29 October 2018 in relation to, among other things, the transfer of the Acquired Shares and the Share Offer
“Last Trading Day”	19 October 2018, being the last full trading day of the Shares prior to the publication of the Joint Announcement
“Latest Practicable Date”	15 November 2018, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Liberal Rite”	Liberal Rite Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Success”	Million Success Group Corporation (萬成天成集團有限公司), a company incorporated in the British Virgin Islands, and wholly and beneficially owned by Mr. He
“Mr. Chen”	Mr. Chen Shuming (陳樹明先生), the sole shareholder and sole director of the Offeror
“Mr. He”	Mr. He Guangrui (賀光銳先生), the sole shareholder and sole director of Million Success
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period commenced from 2 August 2018 (i.e. the date of the Rule 3.7 Announcement) and ending on the Closing Date
“Offer Price”	HK\$1.42 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Share Offer
“Offer Share(s)”	all the Share(s) in issue, other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it
“Overseas Shareholder(s)”	Shareholder(s) (if any), whose addresses, as shown on the register of members of the Company, are outside of Hong Kong
“PRC”	The People’s Republic of China, and for the purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Relevant Period”	the period from 2 February 2018, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Rule 3.7 Announcement”	the announcement of the Company issued on 2 August 2018 pursuant to Rule 3.7 of the Takeovers Code in relation to, among other things, the two memoranda of understanding (as amended and supplemented) entered into by each of Happily Soar and Liberal Rite with the Offeror and Million Success, in relation to the potential acquisition of the Acquired Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary shares of HK\$0.01 each in the capital of the Company
“Share Offer”	the unconditional mandatory cash offer to be made by SSIF Securities for and on behalf of the Offeror to acquire all the Offer Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) in accordance with the Takeovers Code
“Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SSIF Securities”	SSIF Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Share Offer on behalf of the Offeror
“SP Agreement”	the sale and purchase agreement dated 19 October 2018 entered into among Happily Soar and Liberal Rite as vendors, the Offeror and Million Success as purchasers, and Mr. Zhang Weixiang, Mr. Fu Mingping, Mr. Chen Yongqiao and Mr. Shiu Kwok Kuen as the guarantors of the Vendors in relation to the acquisition of an aggregate of 375,000,000 Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	Happily Soar and Liberal Rite
“ZhongHua Finance”	ZhongHua Finance Capital Co., Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in respect of the Share Offer
“%”	per cent.

Unless stated otherwise, in this Composite Document, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.88513 to HK\$1.00, being the exchange rate of RMB against HK\$ as announced by The People’s Bank of China on the date of the SP Agreement, being the date of the Joint Announcement. No representation is made that the HK\$ amounts could have been or could be converted into RMB at such rate or any other rate or at all. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.



19 November 2018

To the Independent Shareholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
SSIF SECURITIES LIMITED
FOR AND ON BEHALF OF CHAMPION ALLIANCE INTERNATIONAL
CORPORATION TO ACQUIRE
ALL THE ISSUED SHARES IN MENGKE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND THE PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

It was announced in the Joint Announcement that on 19 October 2018 (after trading hours), the Offeror and Million Success as purchasers entered into the SP Agreement with Happily Soar and Liberal Rite as vendors, and Mr. Zhang Weixiang, Mr. Fu Mingping, Mr. Chen Yongqiao and Mr. Shiu Kwok Kuen as the guarantors of the Vendors, pursuant to which the Offeror agreed to acquire 281,252,000 Shares from Happily Soar and 68,748,000 Shares from Liberal Rite, and Million Success agreed to acquire 25,000,000 Shares from Liberal Rite, representing a total of 375,000,000 Shares which in turn represents in aggregate 75% of the total issued share capital of the Company as at the Latest Practicable Date at a consideration of HK\$1.42 per Share.

Immediately prior to the Completion, Happily Soar and Liberal Rite held 281,252,000 (representing approximately 56.25% of the total issued Shares) and 93,748,000 Shares (representing approximately 18.75% of the total issued Shares) respectively, and none of the Offeror and parties acting in concert with it owned, controlled or had direction over any Shares.

Immediately following the Completion and as at the Latest Practicable Date, neither the Vendors nor any of their respective ultimate beneficial owners held any Shares, and the 375,000,000 Acquired Shares were held by the Offeror and Million Success in the following manner:

- (i) 350,000,000 Acquired Shares were acquired and held by the Offeror, representing approximately 93.3% of the Acquired Shares and 70% of the total issued Shares as at the Latest Practicable Date; and

LETTER FROM SSIF SECURITIES

- (ii) 25,000,000 Acquired Shares were acquired and held by Million Success, representing approximately 6.7% of the Acquired Shares and 5% of the total issued Shares as at the Latest Practicable Date.

Immediately upon the Completion, the Offeror and the parties acting in concert with it (including Million Success and its beneficial owner) together held voting rights in the Company of 75% and the Offeror had therefore incurred an obligation to make an unconditional mandatory offer under Rule 26.1 of Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

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

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

THE SHARE OFFER

As at the Latest Practicable Date, there are 500,000,000 Shares in issue. Save for the 500,000,000 issued Shares, the Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The Share Offer will be made by SSIF Securities for and on behalf of the Offeror on the terms to be set out in this Composite Document in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.42 in cash

The Offer Price of HK\$1.42 per Offer Share under the Share Offer is the same as the purchase price per Acquired Share paid by the Offeror and Million Success in the SP Agreement. The Share Offer will be unconditional in all respects.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date on which the Share Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date on which the Share Offer is made.

LETTER FROM SSIF SECURITIES

Comparison of Value

The Offer Price of HK\$1.42 per Offer Share represents:

- (i) a premium of approximately 0.71% over the last trading price of HK\$1.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 9.23% over the last trading price of HK\$1.300 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 14.15% over the average closing price of HK\$1.244 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 14.98% over the average closing price of approximately HK\$1.235 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.17% over the average closing price of approximately HK\$1.233 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 5.19% over the last trading price of HK\$1.350 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the commencement of the Offer Period;
- (vii) a premium of approximately 439.92% over the audited consolidated net asset value attributable to Shareholders of approximately RMB0.233 per Share (equivalent to approximately HK\$0.263) as at 31 December 2017, the date to which the latest audited consolidated financial results of the Company were made up; and
- (viii) a premium of approximately 431.84% over the unaudited consolidated net asset value attributable to Shareholders of approximately RMB0.236 per Share (equivalent to approximately HK\$0.267) as at 30 June 2018, the date to which the latest unaudited consolidated financial results of the Company were made up.

LETTER FROM SSIF SECURITIES

Market Prices

The table below shows the closing prices per Share on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the last trading day immediately prior to the date of the Rule 3.7 Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price HK\$
28 February 2018	1.71
29 March 2018	1.75
30 April 2018	1.60
31 May 2018	1.58
29 June 2018	1.60
31 July 2018 (being the last trading day immediately prior to the date of the Rule 3.7 Announcement)	1.35
31 August 2018	1.24
28 September 2018	1.14
19 October 2018 (being the Last Trading Day)	1.30
31 October 2018	1.41
15 November 2018 (being the Latest Practicable Date)	1.41

Highest and Lowest Share Prices

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange was HK\$1.85 per Share on 12 and 13 April 2018 and HK\$1.14 per Share on 27 and 28 September 2018, respectively.

Value of the Share Offer

On the basis of 500,000,000 Shares in issue, of which the Offeror and the parties acting in concert with it together hold 375,000,000 Shares, as at the Latest Practicable Date the number of Shares subject to the Share Offer is 125,000,000 Shares and assuming full acceptance of the Share Offer, the Share Offer based on the Offer Price of HK\$1.42 per Offer Share will be valued at HK\$177,500,000.

Financial Resources Available to the Offeror

The Offeror will satisfy the consideration payable under the Share Offer by way of the Facility. Assuming full acceptance of the Share Offer, the maximum aggregate amount payable by the Offeror is HK\$177,500,000.

The Offeror has obtained the Facility from GF Securities and SSIF Securities, pursuant to which, the Acquired Shares held by the Offeror and Million Success are deposited into the securities accounts of the Offeror and Million Success maintained with GF Securities and pledged in favour of GF Securities and SSIF Securities as security for the Facility. All Shares to be acquired by the Offeror pursuant to the Share Offer will be deposited into the securities

LETTER FROM SSIF SECURITIES

account of the Offeror maintained with SSIF Securities and pledged in favour of GF Securities and SSIF Securities as security for the Facility. Such arrangement will not result in a change of the voting rights of the Company before the enforcement of the relevant security. At as the Latest Practicable Date, GF Securities, SSIF Securities and the Offeror are not aware of any circumstances which may lead to enforcement of the relevant security. As at the Latest Practicable Date, other than the collateral interest of GF Securities and SSIF Securities in the relevant security for the Facility, neither GF Securities nor SSIF Securities is a beneficial owner of any Shares.

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

GF Capital and ZhongHua Finance, being the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable upon full acceptance of the Share Offer.

Effects of Accepting the Share Offer

By accepting the Share Offer, the Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date on which the Share Offer is made or subsequently becoming attached to them, including the right to receive all dividends and declared, paid or made, if any, on or after the date on which this Composite Document is posted. The making of the Share Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

Acceptance of the Share Offer would be irrevocable and would not be capable of being withdrawn, subject to the provision of the Takeovers Code.

Settlement

Settlement of the considerations for the Offer Shares will be made in cash as soon as possible but in any event within seven Business Days of the date of receipt of a duly completed acceptance of the Offer Shares. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Share Offer complete and valid.

No fractions of a cent (HK\$) will be payable and the amount of the consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent (HK\$).

LETTER FROM SSIF SECURITIES

Hong Kong Stamp Duty

In Hong Kong, seller's ad valorem stamp duty payable by the Shareholders who accept the Share Offer is calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer. The Offeror will then pay the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and will bear the buyer's ad valorem stamp duty in relation to the acceptance of the Share Offer and the transfer of the Offer Shares.

Taxation Advice

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 Share Offer. None of the Offeror, parties acting in concert with it, the Company, GF Securities, SSIF Securities, GF Capital, ZhongHua Finance and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

Overseas Shareholders

The availability of the Share Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Share 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 Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

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

INFORMATION ON THE GROUP

Information on the Group is set out in the section headed "Information of the Group" in the "Letter from the Board" and Appendix III as contained in this Composite Document.

LETTER FROM SSIF SECURITIES

INFORMATION ON THE OFFEROR AND MILLION SUCCESS

The Offeror is a company incorporated in the British Virgin Islands with limited liability and principally engages in the business of investment holding. As at the Latest Practicable Date, the Offeror is the beneficial owner of 350,000,000 Shares and is beneficially and wholly-owned by Mr. Chen who is also the sole director of the Offeror.

Mr. Chen, aged 54, has over 25 years of experience in the paper manufacturing industry. Mr. Chen completed an amateur college course in agriculture economic management (業餘大專班農業經濟管理專業) from the China Communist Party Shandong Provincial Committee Party School* (中共山東省委黨校) in December 1997 and obtained the Credentials of Senior Operating Manager (高級經營師) certified by the National Credentials Committee of Senior Operating Manager (全國高級經營師評審委員會) in August 2006. From July 1984 to May 1992, he worked at the Dongping County Foreign Trade Corporation* (東平縣外貿總公司). From May 1992 to October 2000, he was the general manager of Shandong Province Dongping County Mingxing Paper Manufacturing Limited* (山東省東平縣明興紙業有限責任公司). Since October 2000, he has been acting as the chairman of the board of directors of Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Chen has been a vice commissioner (副主任委員) of the China Paper Manufacturing Association, Household Paper Professional Committee* (中國造紙協會生活用紙專業委員會) since 2015 and the vice president of the Shandong Province Paper Manufacturing Industry Association* (山東省造紙行業協會) since 2016. Mr. Chen was also a committee member of the 9th, 10th and 11th Shandong Province Committee of the PRC Political Consultative Conference* (中國人民政治協商會議山東省政協委員) and was appointed as the economic consultant of the Dongping County government (東平縣人民政府) for a term of one year in February 2018.

Million Success is a company incorporated in the British Virgin Islands with limited liability and principally engages in the business of investment holding. As at the Latest Practicable Date, Million Success is the beneficial owner of 25,000,000 Shares and is beneficially and wholly-owned by Mr. He who is also the sole director of Million Success.

Mr. He, aged 38, has approximately 10 years of experience in corporate finance matters. He was appointed as the president of Shenzhen Qiaoxing Investment Co., Ltd.* (深圳市喬興投資有限公司) (formerly known as Shenzhen Fuan Investment Co., Limited* (深圳市富一投資有限公司)) in April 2017. He also acted as the president of Hao Hua Tai Cheng (Beijing) Capital Management Limited* (浩華泰成(北京)資本管理公司) from March 2014 to May 2016. Mr. He also served as the president of Zhongsen Weiye Asset Management Company* (中森偉業資產管理公司) between March 2013 and March 2014 and general manager of Beijing Golden Court Investment Consulting Co., Ltd.* (北京黃金閣投資諮詢有限公司) between December 2007 and January 2012. Mr. He also served as the executive director of Prosper One International Holdings Company Limited (formerly known as Tic Tac International Holdings Company Limited) (stock code: 1470), a company whose shares are listed on the Main Board of the Stock Exchange, from September 2017 to March 2018.

LETTER FROM SSIF SECURITIES

Mr. He is an acquaintance of Mr. Chen and they have known each other for several years.

Immediately prior to the entering into the SP Agreement, the Offeror and parties acting in concert with it did not hold any securities of the Company and were independent third parties of the Company and its connected persons.

PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

If the public float of the Company falls below 25% following the close of the Share Offer, the Offeror and the Directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Share Offer, such as the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any of such steps if the circumstances warrant.

The Stock Exchange has stated that if, upon closing of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

INTENTIONS OF THE OFFEROR

The Offeror is an investment holding company which does not have other business activities. Mr. Chen, the sole beneficial owner and sole director of the Offeror, has over 25 years of experience in the paper manufacturing industry. For further details of the Offeror and Mr. Chen, please refer to the paragraph headed “Information on the Offeror and Million Success” above in this letter.

It is the Offeror’s intention to acquire a majority interest in the Company pursuant to the SP Agreement and the Share Offer. The intention of the Offeror is that the Company’s existing principal activities will be maintained and the Offeror will assist the Company in reviewing its business and operations and seek for new opportunities to enhance and strengthen the business of the Group.

The Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. As at the Latest Practicable Date, the Offeror has not entered, and has no intention to enter, into any negotiation of the disposal of the existing business or assets of the Company; and/or the acquisition of new business or assets by the Company. Save for the change(s) to the composition of the Board as mentioned below, the Offeror has no plan to terminate the

LETTER FROM SSIF SECURITIES

employment of any other employees or other personnel of the Group. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprises Mr. Fu Mingping as executive Director; Mr. Zhang Weixiang as non-executive Director; and Mr. Cheng Tai Kwan Sunny, Mr. Tan Yik Chung Wilson and Mr. Yick Ting Fai Jeffrey as independent non-executive Directors. Pursuant to the SP Agreement, all of the abovementioned existing Directors will resign with effect from the earliest time permitted under the Takeovers Code (i.e. the Closing Date).

The Offeror intends to nominate eight new Directors (collectively, the “**New Directors**”) to the Board with effect from the earliest time as permitted under the Takeovers Code, i.e. following the despatch of this Composite Document, and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

The biographies of the New Directors are set out below:

Mr. Chen Shuming

Mr. Chen will be appointed as an executive Director. For his biography, please refer to the paragraph headed “Information of the Offeror and Million Success” above in this letter.

Mr. He Guangrui

Mr. He will be appointed as an executive Director. For his biography, please refer to the paragraph headed “Information of the Offeror and Million Success” above in this letter.

Mr. Chen Xiaolong

Mr. Chen Xiaolong (陳小龍先生), aged 31, will be appointed as an executive Director. He is the son of Mr. Chen Shuming.

Mr. Chen Xiaolong has over 6 years of experience in the paper manufacturing industry. He graduated from the University of Northumbria at Newcastle, the United Kingdom, and was awarded a bachelor's degree of science in sport management in June 2012.

Since July 2012, Mr. Chen Xiaolong has been working as the chief operating officer (經營總裁) at Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Chen Xiaolong has been serving as the vice president of Shandong Private Entrepreneurs Association* (山東省民營企業家協會) since 2017 and has also been a member of the Society of Entrepreneurs & Ecology (阿拉善SEE生態協會) for a term of one year since December 2017. He is currently a committee member of the 13th Taian City Committee of the PRC Political Consultative Conference* (中國人民政治協商會議泰安市政協委員).

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Mr. Zhang Shihua

Mr. Zhang Shihua (張士華先生), aged 34, will be appointed as an executive Director.

Mr. Zhang has approximately 13 years of experience in the paper manufacturing industry. He obtained his qualification as a secretary to the board of directors (董事會秘書資格證書) conferred by the Shenzhen Stock Exchange in March 2014. He obtained his bachelor's degree in law at Liaocheng University (聊城大學) in December 2016.

From September 2003 to September 2005, Mr. Zhang worked in the legal industry at Shangdong Gongyun Law Offices (山東公允律師事務所). Since October 2005, he has been working as the vice president (副總裁) in Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Zhang was admitted as a member of the China Law Society (中國法學會) in 2015 and was also a committee member of the 9th Dongping County Committee of the PRC Political Consultative Conference* (中國人民政治協商會議東平縣委員會). He was also awarded as a Working Role Model* (勞動模範) by the Dongping County government (東平縣人民政府) in April 2017.

Mr. Zhan Qingtao

Mr. Zhan Qingtao (展慶濤先生), aged 44, will be appointed as an executive Director.

Mr. Zhan has approximately 14 years of financial management experience in the paper manufacturing industry. Mr. Zhan completed a two-year program in accounting at Shangdong Province Transport Labour Mid-Level Professional School* (山東省交通職工中等專業學校) in July 1993. He also obtained a mid-level qualification certificate of specialty and technology (專業技術資格證書) in accounting conferred by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2005.

Since November 2004, Mr. Zhan has been working as the vice chief financial officer (財務副總) in Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Chen Hua

Mr. Chen Hua (陳華先生), aged 51, will be appointed as an independent non-executive Director.

Mr. Chen Hua has more than 29 years of experience in the field of economics and finance. He graduated from Southwestern University of Finance and Economics (西南財經大學), the PRC, and was awarded a bachelor's degree in economics (major in statistics) in July 1989. Between July 1989 and September 2002, Mr. Chen Hua served various roles, including deputy chief of the sub-branch and department manager of the branch, of the Industrial and

LETTER FROM SSIF SECURITIES

Commercial Bank of China. He obtained a master's degree in science from Shandong University (山東大學), the PRC, in December 2001 and a doctorate degree in economics from Soochow University (蘇州大學), the PRC, in June 2005. He was the professor and the head of the regional competitiveness assessment center (區域競爭力評價中心) of the Shandong Economics University* (山東經濟學院) from March 2005 to July 2007 and the vice president of the taxation and finance institute of Shandong Economics University* (山東經濟學院財稅金融研究所) from July 2007 to July 2009. From September 2010 to April 2013, he was an applied economics postdoctoral researcher at the Fiscal Science Research Institute of the Ministry of Finance of the PRC* (中華人民共和國財政部財政科學研究所). Since November 2014, he has been the head of the finance research institute of Shandong University of Finance and Economics* (山東財經大學當代金融研究所).

Mr. Chen Hua served as a committee member of the 11th Shandong Province Committee of the PRC Political Consultative Conference* (中國人民政治協商會議山東省政協委員) and was appointed as a budgetary review consultant* (預算審查顧問) by the Shandong Province Standing Committee of National People's Congress (山東省人大常委會) in September 2018.

Mr. Chen Hua has been an independent non-executive director of Bank of Qingdao Co., Ltd. (H Shares Stock Code: 3866 and Preference Shares Stock Code: 4611), whose shares are listed on the Main Board of the Stock Exchange, since April 2015.

Mr. Zhao Zhendong

Mr. Zhao Zhendong (趙振東先生), aged 55, will be appointed as an independent non-executive Director.

Mr. Zhao has over 34 years of experience in the paper manufacturing industry. Mr. Zhao completed a two-year paper manufacturing program at Shandong Province Light Industry School* (山東省輕工業學校) in July 1984. He obtained a diploma in chemistry from Shandong Normal University (山東師範大學) in July 1990 and an undergraduate diploma in economics from China Communist Party Central Party School Correspondence College* (中共中央黨校函授學院) in December 1993. Mr. Zhao also obtained the qualification as a senior engineer conferred by Shandong Province Light Industry Technical Position Senior Review Committee* (山東省輕工工程技術職務高級評審委員會) in May 2003.

Between July 1984 and December 1997, Mr. Zhao worked as a technician and an assistant engineer at Shandong Paper Group Head Office* (山東紙業集團總公司). From January 1998 to April 2005, he served as the engineer, senior engineer and deputy secretary general of Shandong Province Paper Manufacturing Industry Association* (山東省造紙行業協會). Since April 2005, he has been serving as the secretary general and vice president of Shandong Province Paper Manufacturing Industry Association* (山東省造紙行業協會) and also a senior engineer and an executive council member (常務理事) of Shandong Papermaking Society* (山東造紙學會).

LETTER FROM SSIF SECURITIES

Mr. Chan Yee Ping Michael

Mr. Chan Yee Ping Michael (陳貽平先生), aged 41, will be appointed as an independent non-executive Director.

Mr. Chan Yee Ping Michael has more than 19 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He obtained his bachelor's degree in accountancy from The Hong Kong Polytechnic University in December 1999. He was admitted as a certified public accountant and a fellow of the Hong Kong Institute of Certified Public Accountants in October 2003 and July 2017 respectively, and a fellow of the Association of Chartered Certified Accountants in June 2009.

Mr. Chan Yee Ping Michael has been the company secretary of China Sunshine Paper Holdings Company Limited (stock code: 2002) which is listed on the Main Board of the Stock Exchange since September 2013 and Northeast Electric Development Co., Limited (stock code: 42), a joint stock limited company listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, since August 2012. He acted as the company secretary of Birmingham Sports Holdings Limited (stock code: 2309) whose shares are listed on the Main Board of the Stock Exchange from June 2015 to October 2016.

Mr. Chan Yee Ping Michael was also an independent non-executive director of China Gem Holdings Limited (stock code: 1191) which is listed on the Main Board of the Stock Exchange from October 2013 to July 2014. He has been appointed as an independent non-executive director of the following companies which are listed on the Main Board or GEM (as the case may be) of the Stock Exchange, namely China Wah Yan Healthcare Limited (stock code: 648) since July 2014, China Sandi Holdings Limited (stock code: 910) since July 2014, New Wisdom Holding Company Limited (stock code: 8213) since November 2016, and Prosper One International Holdings Company Limited (stock code: 1470) since September 2017.

Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the shareholders of the Company in relation to the appointment of the New Directors.

Further announcement(s) will be made by the Company regarding changes in the Board composition as and when appropriate.

Save for the change(s) to the composition of the Board as mentioned above, the Offeror has no intention to introduce any significant changes to the management of the Group, or to discontinue the employment of the employees, following completion of the Share Offer.

It is the Offeror's intention that the existing directors and senior management personnel of the Company's subsidiaries will remain in office which could facilitate the Group to continue its principal business. In view of the above as well as the relevant experience and expertise of the New Directors, the Offeror considers that the proposed resignation of the existing Directors will not impose any material adverse change to the operation of the Group.

LETTER FROM SSIF SECURITIES

COMPULSORY ACQUISITION

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

ACCEPTANCE AND SETTLEMENT

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

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror (including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are hereby reminded to disclose their dealings in any relevant securities of the Company pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

LETTER FROM SSIF SECURITIES

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

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 Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

To accept the Share Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance forms part of the terms of the Share Offer. The duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Mengke Holdings Limited — Share Offer" to be received by the Share 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 may announce with the consent of the Executive in accordance with the Takeovers Code.

No acknowledgement of receipt of any Form of Acceptance, together with (in respect of the Share Offer) 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) will be given. Attention of the Overseas Shareholders is drawn to paragraph headed "6. Overseas Shareholders" of Appendix I to this Composite Document.

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, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Share Registrar (as the case may be). None of the Offeror, parties acting in concert with it, the Company, SSIF Securities, GF Securities, GF Capital, Zhonghua Finance, the Independent Financial Adviser, the Share Registrar nor any of their respective directors, officers, professional advisers, associates, agents or any other parties involved in the Share Offer accepts any liabilities for any loss in postage or any other liabilities that may arise as a result thereof.

LETTER FROM SSIF SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

Yours faithfully,
For and on behalf of
SSIF Securities Limited
Hui Lam Chiu
Responsible Officer

LETTER FROM THE BOARD



Mengke Holdings Limited

盟科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1629)

Non-executive Director

Mr. Zhang Weixiang (*Chairman*)

Executive Director

Mr. Fu Mingping

Independent Non-executive Directors

Mr. Cheng Tai Kwan Sunny

Mr. Tan Yik Chung Wilson

Mr. Yick Ting Fai Jeffrey

Registered Office

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

*Principal Place of Business
in Hong Kong*

Room A, 17th Floor
Capitol Centre Tower II
28 Jardine's Crescent
Causeway Bay
Hong Kong

19 November 2018

To the Independent Shareholders

Dear Sir or Madam,

**COMPOSITE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFER BY
SSIF SECURITIES LIMITED
FOR AND ON BEHALF OF CHAMPION ALLIANCE INTERNATIONAL
CORPORATION TO ACQUIRE
ALL THE ISSUED SHARES IN MENGKE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND THE PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement.

LETTER FROM THE BOARD

On 29 October 2018, the Offeror and the Company jointly announced that, among other things, on 19 October 2018, the Offeror and Million Success as purchasers entered into the SP Agreement with Happily Soar and Liberal Rite as vendors, and Mr. Zhang Weixiang, Mr. Fu Mingping, Mr. Chen Yongqiao and Mr. Shiu Kwok Kuen as the guarantors of the Vendors, pursuant to which the Offeror agreed to acquire 281,252,000 Shares from Happily Soar and 68,748,000 Shares from Liberal Rite, and Million Success agreed to acquire 25,000,000 Shares from Liberal Rite, representing a total of 375,000,000 Shares which in turn represent in aggregate 75% of the total issued share capital of the Company as at the date of the Joint Announcement at a consideration of HK\$1.42 per Share, which was agreed among the Offeror, Million Success and the Vendors after arm's length negotiations taking into account of the recent trading prices of the Shares (up to and including the Last Trading Day).

Completion took place on 22 October 2018. The consideration for the Acquired Shares had been fully settled by the Offeror and Million Success by way of cash as set out below as at the date of the Joint Announcement:

- (i) as to HK\$399,377,840 to Happily Soar were paid by the Offeror for 281,252,000 Shares;
- (ii) as to HK\$97,622,160 to Liberal Rite were paid by the Offeror for 68,748,000 Shares; and
- (iii) as to HK\$35,500,000 to Liberal Rite were paid by Million Success for 25,000,000 Shares.

Immediately prior to the Completion, Happily Soar and Liberal Rite held 281,252,000 (representing approximately 56.25% of the issued Shares) and 93,748,000 Shares (representing approximately 18.75% of the issued Shares) respectively, and none of the Offeror and parties acting in concert with it owned, controlled or had direction over any Shares. Immediately following the Completion and as at the Latest Practicable Date, neither the Vendors nor any of their respective ultimate beneficial owners hold any Shares. The 375,000,000 Acquired Shares are held by the Offeror and Million Success in the following manner:

- (i) 350,000,000 Acquired Shares were acquired by the Offeror, representing approximately 93.3% of the Acquired Shares and 70% of the total issued Shares as at the Latest Practicable Date; and
- (ii) 25,000,000 Acquired Shares were acquired by Million Success, representing approximately 6.7% of the Acquired Shares and 5% of the total issued Shares as at the Latest Practicable Date.

Immediately upon the Completion, the Offeror and the parties acting in concert with it (including Million Success and its beneficial owner) together held voting rights in the Company of 75% and the Offeror had therefore incurred an obligation to make an unconditional mandatory offer under Rule 26.1 of Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM THE BOARD

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Tan Yik Chung Wilson and Mr. Yick Ting Fai Jeffrey, has been established by the Company to advise the Independent Shareholders in respect of the Share Offer, as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. The above-named independent non-executive Directors have no direct or indirect interest in the Share Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

Pursuant to Rule 2.1 of the Takeovers Code, on 7 November 2018, Grande Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Share Offer and, in particular, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Share Offer as well as the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Share Offer and as to acceptance of the Share Offer, and the letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the terms of the Share Offer and as to acceptance of the Share Offer.

THE SHARE OFFER

As at the Latest Practicable Date, there were 500,000,000 Shares in issue.

There were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Share Offer

As mentioned in the “LETTER FROM SSIF SECURITIES” on pages 6 to 20 of this Composite Document, SSIF Securities is making the Share Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.42 in cash

The Offer Price of HK\$1.42 per Offer Share under the Share Offer is the same as the purchase price per Acquired Share paid by the Offeror and Million Success under the SP Agreement. The Share Offer will be unconditional in all respects.

Further details of the Share Offer, including terms and procedures for acceptance of the Share Offer, are contained in the “LETTER FROM SSIF SECURITIES” as set out on pages 6 to 20 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company acts as an investment holding company and its subsidiaries are principally engaged in the production of metallised packaging paper for cigarette package manufacturers.

Set out below is a summary of certain audited financial information of the continuing operations of the Group for the financial years ended 31 December 2016 and 2017 extracted from the Company's annual report published on 20 April 2018 and the unaudited financial information of the continuing operations of the Group for the six months ended 30 June 2018 extracted from the Company's interim report published on 27 September 2018:

	Six months ended/As at 30 June 2018 RMB'000 (unaudited)	Year ended/ As at 31 December 2017 RMB'000 (audited)	Year ended/ As at 31 December 2016 RMB'000 (audited)
Revenue	102,189	238,310	310,708
Gross profit	16,729	44,947	64,594
Profit/(loss) before income tax	1,246	6,409	(6,608)
Profit/(loss) for the period/ year	1,062	4,724	(9,435)
Consolidated net asset value	117,986	116,674	111,450

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

INFORMATION ON THE OFFEROR AND MILLION SUCCESS

Your attention is drawn to the section headed "INFORMATION ON THE OFFEROR AND MILLION SUCCESS" in the "LETTER FROM SSIF SECURITIES" as set out on pages 6 to 20 of this Composite Document.

INTENTIONS OF THE OFFEROR

Your attention is drawn to the sections headed "INFORMATION ON THE OFFEROR AND MILLION SUCCESS" and "INTENTIONS OF THE OFFEROR" in the "LETTER FROM SSIF SECURITIES" as set out on pages 6 to 20 of this Composite Document. The Board is pleased to learn that the Offeror intends to maintain the existing principal activities of the Group and that, save for the proposed change to the composition of the Board as set out in the section headed "PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY" in "LETTER FROM SSIF SECURITIES", the Offeror has no plan to terminate the employment of any employees or other personnel of the Group or redeploy the fixed assets of the Group other than those in its ordinary course of business.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the “LETTER FROM SSIF SECURITIES” on pages 6 to 20 of this Composite Document that the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

If the public float of the Company falls below 25% following the close of the Share Offer, the Offeror and the Directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Share Offer, such as the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any of such steps if the circumstances warrant.

The Stock Exchange has stated that if, upon closing of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

Therefore, upon the completion of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be halted until sufficient public float exists for the Shares.

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

RECOMMENDATION

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages IBC-1 to IBC-2 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Share Offer; and (ii) the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages IFA-1 to IFA-23 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Share Offer, and the principal factors considered by it in arriving at its advice and recommendation.

ADDITIONAL INFORMATION

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

LETTER FROM THE BOARD

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

Yours faithfully
By order of the Board
Mengke Holdings Limited
Zhang Weixiang
Chairman and non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



Mengke Holdings Limited

盟科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1629)

19 November 2018

To the Independent Shareholders

Dear Sir or Madam,

**COMPOSITE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFER BY
SSIF SECURITIES LIMITED
FOR AND ON BEHALF OF CHAMPION ALLIANCE INTERNATIONAL
CORPORATION TO ACQUIRE
ALL THE ISSUED SHARES IN MENGKE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND THE PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

We refer to this composite offer and response document dated 19 November 2018 issued jointly by the Offeror and the Company (“**Composite Document**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in this Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the Share Offer and to make a recommendation to you as to whether, in our opinion, the Share Offer is, or is not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Grande Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the Share Offer. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages IFA-1 to IFA-23 of this Composite Document.

We also wish to draw your attention to the “LETTER FROM THE BOARD”, the “LETTER FROM SSIF SECURITIES” and the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Having considered the terms of the Share Offer and the letter of advice and recommendation from the Independent Financial Adviser, we consider that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders to accept the Share Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should monitor the Share price movement until near the end of the Offer Period. If the market price of the Shares exceeds the Offer Price and the sale proceeds net of all transaction costs exceed the net proceeds receivable under the Share Offer, the Independent Shareholders should consider selling their Shares in the open market instead of accepting the Share Offer.

Independent Shareholders are recommended to read the full text of the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” set out in this Composite Document. Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Share Offer.

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

Mr. Cheng Tai Kwan Sunny
*Independent non-executive
Director*

Mr. Tan Yik Chung Wilson
*Independent non-executive
Director*

Mr. Yick Ting Fai Jeffrey
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Grande Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer prepared for the purpose of inclusion in the Composite Document.



19 November 2018

To: The Independent Board Committee

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER
BY SSIF SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN
MENGKE HOLDINGS LIMITED (OTHER THAN
THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee with respect to the Share Offer, details of which are set out in Composite Document dated 19 November 2018 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

On 29 October 2018, the Offeror and the Company jointly announced that, among other things, on 19 October 2018, the Offeror and Million Success as purchasers entered into the SP Agreement with Happily Soar and Liberal Rite as vendors, and Mr. Zhang Weixiang, Mr. Fu Mingping, Mr. Chen Yongqiao and Mr. Shiu Kwok Kuen as the guarantors of the Vendors, pursuant to which the Offeror agreed to acquire 281,252,000 Shares from Happily Soar and 68,748,000 Shares from Liberal Rite, and Million Success agreed to acquire 25,000,000 Shares from Liberal Rite, representing a total of 375,000,000 Shares which in turn represent in aggregate 75% of the total issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date at a consideration of HK\$1.42 per Share, which was agreed among the Offeror, Million Success and the Vendors after arm's length negotiations taking into account of the recent trading prices of the Shares (up to and including the Last Trading Day). Completion took place on 22 October 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Immediately upon the Completion, the Offeror and the parties acting in concert with it (including Million Success and its beneficial owner) together held voting rights in the Company of 75% and the Offeror had therefore incurred an obligation to make an unconditional mandatory offer under Rule 26.1 of Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, there are 500,000,000 Shares in issue. Save for the 500,000,000 issued Shares, the Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Tan Yik Chung Wilson and Mr. Yick Ting Fai Jeffrey, has been established by the Company to advise the Independent Shareholders in respect of the Share Offer, as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

Pursuant to Rule 2.1 of the Takeovers Code, on 7 November 2018, our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. As the Independent Financial Adviser in relation to the Share Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendation in respect of the Share Offer and, in particular, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer.

As at the Latest Practicable Date, we were independent from and not connected with the Group and the Offeror and any party acting in concert with the Offeror, and we are qualified to give independent advice to the Independent Board Committee regarding the Share Offer. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Group, its advisers, its management team (the “**Management**”) and/or the Directors. We have assumed that such information and statements, and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects as at the Latest Practicable Date and the Shareholders will be notified of any material changes (if any) as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also assumed that all statements of belief, opinion, expectation and intention made by the Group, its advisers, the Management and/or the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Group, its advisers, the Management and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements or arrangements or implied understanding with anyone concerning the Share Offer.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the sole director of 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. Mr. Chen, the beneficial owner and sole director of the Offeror, accepts full responsibility for the accuracy of information contained in the 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 the Composite Document 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. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group or the Offeror or associates of any of them.

We have not considered the tax consequences on the Independent Shareholders in respect of their acceptance or non-acceptance of the Share Offer since they vary depending on respective individual circumstances. The Independent Shareholder who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

UNCONDITIONAL MANDATORY CASH OFFER

As set out in the Composite Document, immediately upon the Completion, the Offeror and the parties acting in concert with it (including Million Success and its beneficial owner) together held voting rights in the Company of 75% and the Offeror had therefore incurred an obligation to make an unconditional mandatory offer under Rule 26.1 of Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE SHARE OFFER

As mentioned in the Composite Document, SSIF Securities is making the Share Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

For each Offer Share..... HK\$1.42 in cash

The Offer Price of HK\$1.42 per Offer Share under the Share Offer is the same as the purchase price per Acquired Share paid by the Offeror and Million Success under the SP Agreement. The Share Offer will be unconditional in all respects.

As set out in the “LETTER FROM SSIF SECURITIES” to the Composite Document, the Offer Price of HK\$1.42 per Offer Share represents:

- (i) a premium of approximately 0.71% over the last trading price of HK\$1.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 9.23% over the last trading price of HK\$1.300 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 14.15% over the average closing price of HK\$1.244 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 14.98% over the average closing price of approximately HK\$1.235 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.17% over the average closing price of approximately HK\$1.233 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 5.19% over the last trading price of HK\$1.350 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the commencement of the Offer Period;
- (vii) a premium of approximately 439.92% over the audited consolidated net asset value attributable to Shareholders of approximately RMB0.233 per Share (equivalent to approximately HK\$0.263) as at 31 December 2017, the date to which the latest audited consolidated financial results of the Company were made up; and
- (viii) a premium of approximately 431.84% over the unaudited consolidated net asset value attributable to Shareholders of approximately RMB0.236 per Share (equivalent to approximately HK\$0.267) as at 30 June 2018, the date to which the latest unaudited consolidated financial results of the Company were made up.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further details of the Share Offer, including terms and procedures for acceptance of the Share Offer, are contained in the “LETTER FROM SSIF SECURITIES” as set out on pages 6 to 20 of, and Appendix I to, the Composite Document and the accompanying Form of Acceptance.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Share Offer, we have taken into consideration the following principal factors:

1. Information of the Group

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is a cigarette packaging paper manufacturer in the PRC. The Group is principally engaged in the production of metallised packaging paper for cigarette package manufacturers, having an operating history of more than 10 years, with two main lines of products, being transfer metallised paper and laminated metallised paper.

The table below sets out the audited consolidated key financial information of the Group for the two years ended 31 December 2017 and the six months ended 30 June 2018 as extracted from the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report**”) and the interim report of the Company for the six months ended 30 June 2018 (the “**Interim Report**”) respectively:

	For the six months ended 30 June		For the year ended 31 December	
	2018	2017	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	102,189	96,305	238,310	310,708
Cost of sales	(85,460)	(80,096)	(193,363)	(246,114)
Gross profit	16,729	16,209	44,947	64,594
Other income and other gains — net	313	3,290	5,924	33
Distribution expenses	(5,648)	(6,998)	(17,987)	(17,947)
Administrative expenses	(10,083)	(10,292)	(25,926)	(52,217)
Profit/(loss) before tax	1,246	1,919	6,409	(6,608)
Profit/(loss) for the year/period	1,062	1,367	4,724	(9,435)
Listing expenses	—	—	—	(26,076)
Profit before listing expenses	1,062	1,367	4,724	16,641

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the table above, we note that the revenue of the Group decreased from approximately RMB310.7 million for the year ended 31 December 2016 to approximately RMB238.3 million for the year ended 31 December 2017. We also note that the profit (after adjusting for listing expenses) decreased from approximately RMB16.6 million for the year ended 31 December 2016 to approximately RMB4.7 million for the year ended 31 December 2017. According to the Annual Report, we further note that the other income for the year ended 31 December 2017 included a one-off subsidy income of approximately RMB5.3 million. Such amount mainly represented the government grants related to the listing. After adjusting such for one-off income, the Group recorded a loss of approximately RMB0.6 million for the year ended 31 December 2017. For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB102.2 million and profit of approximately RMB1.1 million. We note that the financial performance of the Group for 2017 and the first half of 2018 was worse than that for 2016.

2. Industry overview

The Group is principally engaged in the manufacture and sales of packing materials for cigarettes in the PRC. In this regard, we have considered (i) the actual and projected growth in PRC's real gross domestic product ("**GDP**") according to "World Economic Outlook October 2018" published by the International Monetary Fund (the "**IMF**"); (ii) the sales volume of cigarettes published by the State Tobacco Monopoly Administration (the "**STMA**"), a governmental administration responsible for the management of the tobacco industry in the PRC; and (iii) a recent press release dated 9 August 2018 (the "**Press Release**") published by the World Health Organization.

According to the IMF, the actual growth rate in PRC's real GDP increased from approximately 6.7% in 2016 to approximately 6.9% in 2017. Meanwhile, the sales volume of cigarette increased from approximately 47.0 million boxes in 2016 to approximately 47.4 million boxes in 2017, according to the STMA. Despite the growing economy and the growing industry in which the Group operated during the two years, the revenue of the Group decreased from approximately RMB310.7 million for 2016 to approximately RMB238.3 million for 2017. The Group's performance shows that it fails to capture the growth opportunities present in the market and fails to maintain its market share.

According to the STMA, the sales volume of cigarette for the nine-month period ended 30 September 2018 increased by only 1.45% compared to the nine-month period of the preceding year. According to the IMF, it is projected that the growth rate in PRC's real GDP will decrease to approximately 6.6% in 2018 and further decrease to approximately 6.2% in 2019, owing to the aftermath of the recently announced trade measures by the governments of both the United States of America and the PRC. Based on the aforesaid, we note that the growth in the sales volume of cigarette in the first three quarters of 2018 as compared to that in 2017 was substantially below the projected growth rate in PRC's real GDP in 2018. We also note from the Company's prospectus dated 15 November 2016 that the decrease in sales volume of cigarettes in 2015 and 2016 was due to, among other things, the slowdown of the Chinese GDP growth. Having

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

considered the projected further slowdown of the PRC economy according to the IMF and the fact that the sales volume of cigarette could not catch up with the PRC's real GDP growth, we are of the view that there are uncertainties regarding the future sales volume of cigarette in the PRC in the future.

According to the Press Release, Xi'an Municipal Government has passed a new regulation which would make all indoor public places in Xi'an 100% smoke-free from 1 November 2018. Xi'an became the eighth city where indoor public places are 100% smoke-free. According to the "Healthy China 2030" blueprint, a plan released on 25 October 2016 by the Communist Party of China Central Committee and the State Council, the smoking rate of those aged 15 or above should be lowered to 20% by 2030 (from 27.7% in 2015). In particular, the plan also indicated that the PRC government will promote smoking bans in indoor public places and gradually achieve a comprehensive ban on all indoor public places in the PRC. With the continuous effort of the PRC Government, we expect that more and more cities will impose 100% smoke-free regulation for indoor public places in the PRC.

According to various media articles, the smoking rate and population has decreased in several of the cities with 100% smoke-free regulation for public indoor places (including Beijing, Shanghai, Qingdao and Nanning) in recent years. In particular, we note that (i) the smoking rate and smoking population of Beijing decreased by 1.1% and 200,000 people respectively from second half of 2015 to 2017; (ii) the smoking rate of Shanghai decreased from 21.0% in 2016 to 20.2% in 2017; (iii) the smoking population of Qingdao decreased from approximately 2,000,000 in 2014 to approximately 1,920,000 in 2017; and (iv) the smoking rate of Guangxi Zhuang Autonomous Region (Nanning is a city within Guangxi Zhuang Autonomous Region) decreased from 28.8% in 2015 to 26.3% in 2017. In view of the above, the demand for cigarettes in some of the cities where indoor public places are 100% smoke-free has decreased.

Having considered the above, we are of the view that challenging times may be ahead regarding the prospects and outlook of the Group.

3. Information of the Offeror and Million Success

As set out in the "Letter from SSIF Securities", the Offeror is a company incorporated in the British Virgin Islands with limited liability and principally engages in the business of investment holding. As at the Latest Practicable Date, the Offeror is the beneficial owner of 350,000,000 Shares and is beneficially and wholly-owned by Mr. Chen who is also the sole director of the Offeror.

Mr. Chen, aged 54, has over 25 years of experience in the paper manufacturing industry. Mr. Chen completed an amateur college course in agriculture economic management (業餘大專班農業經濟管理專業) from the China Communist Party Shandong Provincial Committee Party School* (中共山東省委黨校) in December 1997 and obtained the Credentials of Senior Operating Manager (高級經營師) certified by the National Credentials Committee of Senior Operating Manager (全國高級經營師評審委員會) in August 2006. From July 1984 to May 1992, he worked at the Dongping County Foreign Trade Corporation* (東平縣外貿總公司). From May 1992 to October 2000, he

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was the general manager of Shandong Province Dongping County Mingxing Paper Manufacturing Limited* (山東省東平縣明興紙業有限責任公司). Since October 2000, he has been acting as the chairman of the board of directors of Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Chen has been a vice commissioner (副主任委員) of the China Paper Manufacturing Association, Household Paper Professional Committee* (中國造紙協會生活用紙專業委員會) since 2015 and the vice president of the Shandong Province Paper Manufacturing Industry Association* (山東省造紙行業協會) since 2016. Mr. Chen was also a committee member of the 9th, 10th and 11th Shandong Province Committee of the PRC Political Consultative Conference* (中國人民政治協商會議山東省政協委員) and was appointed as the economic consultant of the Dongping County government (東平縣人民政府) for a term of one year in February 2018.

Million Success is a company incorporated in the British Virgin Islands with limited liability and principally engages in the business of investment holding. As at the Latest Practicable Date, Million Success is the beneficial owner of 25,000,000 Shares and is beneficially and wholly-owned by Mr. He who is also the sole director of Million Success.

Mr. He, aged 38, has approximately 10 years of experience in corporate finance matters. He was appointed as the president of Shenzhen Qiaoxing Investment Co., Ltd.* (深圳市喬興投資有限公司) (formerly known as Shenzhen Fuan Investment Co., Limited* (深圳市富一投資有限公司) in April 2017. He also acted as the president of Hao Hua Tai Cheng (Beijing) Capital Management Limited* (浩華泰成(北京)資本管理公司) from March 2014 to May 2016. Mr. He also served as the president of Zhongsen Weiye Asset Management Company* (中森偉業資產管理公司) between March 2013 and March 2014 and general manager of Beijing Golden Court Investment Consulting Co., Ltd.* (北京黃金閣投資諮詢有限公司) between December 2007 and January 2012. Mr. He also served as the executive director of Prosper One International Holdings Company Limited (formerly known as Tic Tac International Holdings Company Limited) (stock code: 1470), a company whose shares are listed on the Main Board of the Stock Exchange, from September 2017 to March 2018.

As set out in the “Letter from SSIF Securities”, the intention of the Offeror is that the Company’s existing principal activities will be maintained and the Offeror will assist the Company in reviewing its business and operations and seek for new opportunities to enhance and strengthen the business of the Group. Having considered that (i) the Company was listed less than 2 years and the financial performance of the Group declined after the listing, (ii) the beneficial owner of the Offeror and the proposed new directors, the biography of whom will be further discussed below, do not have direct experience in the manufacture and sales of packing materials for cigarettes in the PRC; (iii) although the Offeror will seek for new opportunities to enhance and strengthen the business of the Group, as at the Latest Practicable Date, the Offeror and the proposed new directors have not identified any concrete new opportunities for the Group, and (iv)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

as at the Latest Practicable Date, the Offeror has not entered, and has no intention to enter, into any negotiation of the acquisition of new business or assets by the Company, we are of the view that there are uncertainties regarding the future prospect of the Group.

4. Intentions of the Offeror regarding the Group and proposed change of Board composition

As stated in the Letter from SSIF Securities in the Composite Document, the Offeror is an investment holding company which does not have other business activities. Mr. Chen, the sole beneficial owner and sole director of the Offeror, has over 25 years of experience in the paper manufacturing industry. It is the intention of the Offeror that the Company's existing principal activities will be maintained and the Offeror will assist the Company in reviewing its business and operations and seek for new opportunities to enhance and strengthen the business of the Group.

As set out in the Letter from SSIF Securities in the Composite Document, the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. As at the Latest Practicable Date, the Offeror has not entered, and has no intention to enter, into any negotiation of the disposal of the existing business or assets of the Company; and/or the acquisition of new business or assets by the Company. Save for the change(s) to the composition of the Board as mentioned below, the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

4.1 Proposed change of Board composition

The Board is currently made up of five Directors, comprising an executive Director, namely, Mr. Fu Mingping, a non-executive Director, namely, Mr. Zhang Weixiang, and three independent non-executive Directors, namely, Mr. Cheng Tai Kwan Sunny, Mr. Tan Yik Chung Wilson and Mr. Yick Ting Fai Jeffrey.

As set out in the Letter from SSIF Securities in the Composite Document, all of the abovementioned existing Directors will resign with effect from the earliest permitted time under the Takeovers Code (i.e., the Closing Date).

The Offeror intends to nominate eight new Directors (collectively, the “**New Directors**”) to the Board with effect from the earliest time as permitted under the Takeovers Code, i.e. following the despatch of the Composite Document, and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from SSIF Securities in the Composite Document, the biographies of the New Directors are set out below:

Mr. Chen Shuming

Mr. Chen will be appointed as an executive Director. For his biography, please refer to the paragraph headed “Information of the Offeror and Million Success” above in this letter.

Mr. He Guangrui

Mr. He will be appointed as an executive Director. For his biography, please refer to the paragraph headed “Information of the Offeror and Million Success” above in this letter.

Mr. Chen Xiaolong

Mr. Chen Xiaolong (陳小龍先生), aged 31, will be appointed as an executive Director. He is the son of Mr. Chen Shuming. Mr. Chen Xiaolong has over 6 years of experience in the paper manufacturing industry.

He graduated from the University of Northumbria at Newcastle, the United Kingdom, and was awarded a bachelor’s degree of science in sport management in June 2012.

Since July 2012, Mr. Chen Xiaolong has been working as the chief operating officer (經營總裁) at Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Chen Xiaolong has been serving as the vice president of Shandong Private Entrepreneurs Association* (山東省民營企業家協會) since 2017 and has also been a member of the Society of Entrepreneurs & Ecology (阿拉善SEE生態協會) for a term of one year since December 2017. He is currently a committee member of the 13th Taian City Committee of the PRC Political Consultative Conference* (中國人民政治協商會議泰安市政協委員).

Mr. Zhang Shihua

Mr. Zhang Shihua (張士華先生), aged 34, will be appointed as an executive Director.

Mr. Zhang has approximately 13 years of experience in the paper manufacturing industry. He obtained his qualification as a secretary to the board of directors (董事會秘書資格證書) conferred by the Shenzhen Stock Exchange in March 2014. He obtained his bachelor’s degree in law at Liaocheng University (聊城大學) in December 2016.

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From September 2003 to September 2005, Mr. Zhang worked in the legal industry at Shangdong Gongyun Law Offices (山東公允律師事務所). Since October 2005, he has been working as the vice president (副總裁) in Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Zhang was admitted as a member of the China Law Society (中國法學會) in 2015 and was also a committee member of the 9th Dongping County Committee of the PRC Political Consultative Conference* (中國人民政治協商會議東平縣委員會). He was also awarded as a Working Role Model* (勞動模範) by the Dongping County government (東平縣人民政府) in April 2017.

Mr. Zhan Qingtao

Mr. Zhan Qingtao (展慶濤先生), aged 44, will be appointed as an executive Director.

Mr. Zhan has approximately 14 years of financial management experience in the paper manufacturing industry. Mr. Zhan completed a two-year program in accounting at Shangdong Province Transport Labour Mid-Level Professional School* (山東省交通職工中等專業學校) in July 1993. He also obtained a mid-level qualification certificate of specialty and technology (專業技術資格證書) in accounting conferred by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2005.

Since November 2004, Mr. Zhan has been working as the vice chief financial officer (財務副總) in Shandong Jiexin Paper Manufacturing Limited* (山東潔昕紙業股份有限公司) (formerly known as Dongshun Group Limited* (東順集團股份有限公司)), a company engages in the manufacturing of household papers and personal hygiene products in the PRC.

Mr. Chen Hua

Mr. Chen Hua (陳華先生), aged 51, will be appointed as an independent non-executive Director.

Mr. Chen Hua has more than 29 years of experience in the field of economics and finance. He graduated from Southwestern University of Finance and Economics (西南財經大學), the PRC, and was awarded a bachelor's degree in economics (major in statistics) in July 1989. Between July 1989 and September 2002, Mr. Chen Hua served various roles, including deputy chief of the sub-branch and department manager of the branch, of the Industrial and Commercial Bank of China.

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He obtained a master's degree in science from Shandong University (山東大學), the PRC, in December 2001 and a doctorate degree in economics from Soochow University (蘇州大學), the PRC, in June 2005. He was the professor and the head of the regional competitiveness assessment center (區域競爭力評價中心) of the Shandong Economics University* (山東經濟學院) from March 2005 to July 2007 and the vice president of the taxation and finance institute of Shandong Economics University* (山東經濟學院財稅金融研究所) from July 2007 to July 2009. From September 2010 to April 2013, he was an applied economics postdoctoral researcher at the Fiscal Science Research Institute of the Ministry of Finance of the PRC* (中華人民共和國財政部財政科學研究所). Since November 2014, he has been the head of the finance research institute of Shandong University of Finance and Economics* (山東財經大學當代金融研究所).

Mr. Chen Hua served as a committee member of the 11th Shandong Province Committee of the PRC Political Consultative Conference* (中國人民政治協商會議山東省政協委員) and was appointed as a budgetary review consultant* (預算審查顧問) by the Shandong Province Standing Committee of National People's Congress (山東省人大常委會) in September 2018.

Mr. Chen Hua has been an independent non-executive director of Bank of Qingdao Co., Ltd. (H Shares Stock Code: 3866 and Preference Shares Stock Code: 4611), whose shares are listed on the Main Board of the Stock Exchange, since April 2015.

Mr. Zhao Zhendong

Mr. Zhao Zhendong (趙振東先生), aged 55, will be appointed as an independent non-executive Director.

Mr. Zhao has over 34 years of experience in the paper manufacturing industry. Mr. Zhao completed a two-year paper manufacturing program at Shandong Province Light Industry School* (山東省輕工業學校) in July 1984. He obtained a diploma in chemistry from Shandong Normal University (山東師範大學) in July 1990 and an undergraduate diploma in economics from China Communist Party Central Party School Correspondence College* (中共中央黨校函授學院) in December 1993. Mr. Zhao also obtained the qualification as a senior engineer conferred by Shandong Province Light Industry Technical Position Senior Review Committee* (山東省輕工工程技術職務高級評審委員會) in May 2003.

Between July 1984 and December 1997, Mr. Zhao worked as a technician and an assistant engineer at Shandong Paper Group Head Office* (山東紙業集團總公司). From January 1998 to April 2005, he served as the engineer, senior engineer and deputy secretary general of Shandong Province Paper Manufacturing Industry Association* (山東省造紙行業協會). Since April 2005, he has been serving as the secretary general and vice president of

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Shandong Province Paper Manufacturing Industry Association* (山東省造紙行業協會) and also a senior engineer and an executive council member (常務理事) of Shandong Papermaking Society* (山東造紙學會).

Mr. Chan Yee Ping Michael

Mr. Chan Yee Ping Michael (陳貽平先生), aged 41, will be appointed as an independent non-executive Director.

Mr. Chan Yee Ping Michael has more than 19 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He obtained his bachelor's degree in accountancy from The Hong Kong Polytechnic University in December 1999. He was admitted as a certified public accountant and a fellow of the Hong Kong Institute of Certified Public Accountants in October 2003 and July 2017 respectively, and a fellow of the Association of Chartered Certified Accountants in June 2009.

Mr. Chan Yee Ping Michael has been the company secretary of China Sunshine Paper Holdings Company Limited (stock code: 2002) which is listed on the Main Board of the Stock Exchange since September 2013 and Northeast Electric Development Co., Limited (stock code: 42), a joint stock limited company listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, since August 2012. He acted as the company secretary of Birmingham Sports Holdings Limited (stock code: 2309) whose shares are listed on the Main Board of the Stock Exchange from June 2015 to October 2016.

Mr. Chan Yee Ping Michael was also an independent non-executive director of China Gem Holdings Limited (stock code: 1191) which is listed on the Main Board of the Stock Exchange from October 2013 to July 2014. He has been appointed as an independent non-executive director of the following companies which are listed on the Main Board or GEM (as the case may be) of the Stock Exchange, namely China Wah Yan Healthcare Limited (stock code: 648) since July 2014, China Sandi Holdings Limited (stock code: 910) since July 2014, New Wisdom Holding Company Limited (stock code: 8213) since November 2016, and Prosper One International Holdings Company Limited (stock code: 1470) since September 2017.

Save for the change(s) to the composition of the Board as mentioned above, the Offeror has no intention to introduce any significant changes to the management of the Group, or to discontinue the employment of the employees, following completion of the Share Offer.

It is the Offeror's intention that the existing directors and senior management personnel of the Company's subsidiaries will remain in office which could facilitate the Group to continue its principal business. However, having considered that (i) the Company was listed less than 2 years and the financial performance of the Group declined after the listing, (ii) the beneficial owner of the Offeror and the proposed

new directors, the biography of whom will be further discussed below, do not have direct experience in the manufacture and sales of packing materials for cigarettes in the PRC; (iii) although the Offeror will seek for new opportunities to enhance and strengthen the business of the Group, as at the Latest Practicable Date, the Offeror and the proposed new directors have not identified any concrete new opportunities for the Group, and (iv) as at the Latest Practicable Date, the Offeror has not entered, and has no intention to enter, into any negotiation of the acquisition of new business or assets by the Company, we are of the view that there are uncertainties regarding the future prospect of the Group.

4.2 Maintaining the listing status of the Company

As set out in the Letter from SSIF Securities in the Composite Document, The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

If the public float of the Company falls below 25% following the close of the Share Offer, the Offeror and the Directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Share Offer, such as the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any of such steps if the circumstances warrant.

The Stock Exchange has stated that if, upon closing of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

Having considered that:

- (i) Although the Offeror will seek for new opportunities to enhance and strengthen the business of the Group, as at the Latest Practicable Date, the Offeror has not identified any new opportunities for the Group;
- (ii) the beneficial owner of the Offeror and the proposed executive directors does not have direct experience in the manufacture and sales of packing materials for cigarettes in the PRC;
- (iii) the financial performance of the Group for the year ended 31 December 2017 declined as compared to that in 2016 despite the actual growth rate in PRC's real GDP increased from approximately 6.7% in 2016 to

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approximately 6.9% in 2017 and the sales volume of cigarette increased from approximately 47.0 million boxes in 2016 to approximately 47.4 million boxes in 2017, according to the STMA; and

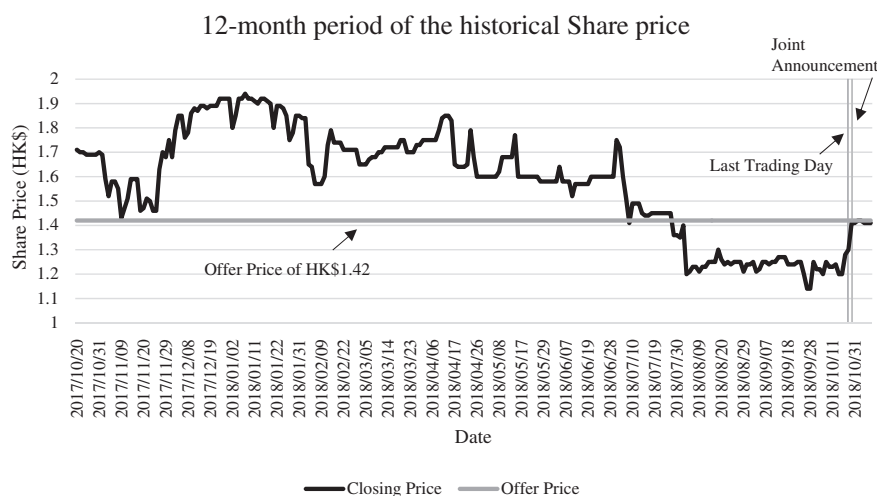
- (iv) the operating environment will remain challenging as discussed in the subsection “Industry overview” above,

we are of the view that there are uncertainties regarding the future prospect of the Group.

5. Analysis on Offer Price

5.1 Historical price performance of the Shares

We have reviewed the closing prices of the Shares over the 12-month period immediately prior to the Last Trading Day dated 19 October 2018 (“**12-month Period**”). The 12-month Period commenced on 20 October 2017 and ended on the Last Trading Day. The diagram below depicts the historical Share Price over this 12-month period:

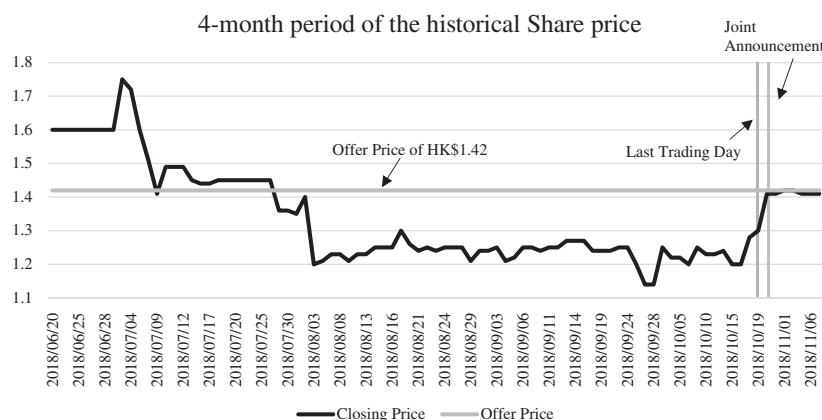


Source: Information from the website of the Stock Exchange

We note that the Share Price fluctuated widely over this period. The closing price of the Shares ranged from HK\$1.14 to HK\$1.94 and the Offer Price of HK\$1.42 is within this range.

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In order to have a better grasp of the current market situation, instead of analyzing the 12-month Period, we reviewed and analysed the closing prices of the Shares over the 4-month period immediately prior to the Last Trading Day 19 October 2018. Such review period commenced on 20 June 2018 and ended on the Last Trading Day (the “**Review Period**”).



Source: Information from the website of the Stock Exchange

During the Review Period, the closing price of the Shares ranged from HK\$1.14 per Share to HK\$1.75 per Share, with the average of approximately HK\$1.34 per Share, which is approximately 7.0% lower than the Offer Price. In particular, we note that out of the 82 trading days in the Review Period, the closing price of the Shares have been below the Offer Price except for 25 trading days.

We note that the closing prices of the Company dropped significantly from HK\$1.75 per Share on 3 July 2018 to HK\$1.35 per Share on 31 July 2018, representing a decline of approximately 22.9%. We have discussed with the management of the Company regarding the aforesaid downward movement and were advised that they are not aware of any particular reason that led to the decreasing trend of the closing prices of the Shares.

We note that the Company made an announcement in respect of a memorandum of understanding in relation to the possible transaction (the “**MOU**”) released on 2 August 2018. We note that after the release of such announcement, the closing price per Share increased from HK\$1.35 per Share on 31 July 2018, being the last trading day prior to the announcement, to HK\$1.40 per Share on 2 August 2018. We further note that the closing price per Share decreased from HK\$1.40 on 2 August 2018 to HK\$1.2 per Share on 3 August 2018. We were advised that the management of the Company were not aware of any reason for such decrease.

We note that the closing prices of the Company increased from HK\$1.25 per Share on 16 August 2018 to HK\$1.3 per Share on 17 August 2018, representing an increase of 4%. The Share price dropped to HK\$1.24 per Share on 21 August 2018.

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We have discussed with the management of the Company regarding to the aforesaid fluctuation and were advised that they are not aware of any particular reason that led to such fluctuation of the closing prices of the Shares.

The closing prices of the Shares decreased from HK\$1.25 per Share on 24 September 2018 to HK\$1.14 on 27 September 2018. The closing prices subsequently increased from HK\$1.14 per Share on 28 September 2018 to HK\$1.25 per Share on 3 October 2018. We note that on 27 September 2018, the Company published their interim report recording a profit attributable to equity holders of the Company of approximately RMB1.1 million for the six months ended 30 June 2018, as compared to that of approximately RMB1.4 million for the six months ended 30 June 2017, representing a decline of 21.4%. The closing price per Share dropped from HK\$1.20 per Share on 26 September 2018, being the last trading day prior to the publication of interim report, to HK\$1.14 per Share on 27 September 2018, representing a decline in Share price of 5%. Moreover, we also note that there was a trading halt on 2 October 2018, followed by an announcement on the same day in relation to the supplemental MOUs. The trading of Shares resumed on the Stock Exchange on 3 October 2018 and closed at HK\$1.25 per Share, as compared to HK\$1.14 per Share on 28 September 2018, being the last trading day prior to the announcement dated 2 October 2018.

Similar fluctuation happened again between 12 October 2018 and 18 October 2018, where the closing price of Shares dropped from HK\$1.24 per Share on 12 October 2018 to HK\$1.2 on 15 October 2018, and then increased from HK\$1.2 on 16 October to HK\$1.28 on 18 October 2018. We were advised that the management of the Company were not aware of any reason for such fluctuation, and we note that there were no announcement made by the Company during this period.

We also note that there was a significant increase in share price between the Last Trading Day and the first trading day after the resumption of trading since Joint Announcement (i.e. 30 October 2018). As set out in the announcement of the Company dated 22 October 2018, the Company announced that the trading in their Shares on the Stock Exchange would be halted pending the release of the Joint Announcement. The closing price per Share on (i) the Last Trading Day was HK\$1.3; and (ii) the trading day immediately after the publication of the Joint Announcement was HK\$1.41. We consider that such increase in Share Price is due to the market reaction to the Share Offer.

We note that: (i) the Offer Price is generally above the closing prices of the Shares during the Review Period; and (ii) the Offer Price falls within the range of the highest and lowest daily closing prices of the Share during the Review Period and is at a premium over the average closing price of the Share over the Review Period.

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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 Latest Practicable Date.

5.2 Historical liquidity of the Shares

Apart from the daily closing price of the Shares, we have also performed a review on the average daily trading volume per month, as well as the percentage of average daily trading volume of the Shares as compared to (i) the total number of the issued Share at the relevant time; and (ii) total number of Shares held by the public for the 12-month Period and up to 30 October 2018, the first trading day after the resumption of trading since Joint Announcement:

Month	Total monthly trading volume of the Shares <i>Number of Shares</i>	No. of trading days	Average daily trading volume of the Shares <i>Number of Shares</i>	Percentage of average daily trading volume to the total number of issued Shares <i>(Note 1) %</i>	Percentage of average daily trading volume to the total number of Shares held by the public <i>(Note 2) %</i>
2017					
October (from 30 October)	15,500	2	7,750	0.00	0.01
November	2,627,015	22	119,410	0.02	0.10
December	5,918,000	19	311,474	0.06	0.25
2018					
January	3,579,500	22	162,705	0.03	0.13
February	1,228,000	18	68,222	0.01	0.05
March	576,000	21	27,429	0.01	0.02
April	1,772,000	19	93,263	0.02	0.07
May	620,000	21	29,524	0.01	0.02
June	1,028,000	20	51,400	0.01	0.04
July	2,976,000	21	141,714	0.03	0.11
August	4,607,063	22	209,412	0.04	0.17
September	2,136,000	19	112,421	0.02	0.09
October (up to the 30 October 2018, the first trading day after the resumption of trading since Joint Announcement)	62,904,000	13	4,838,769	0.97	3.87

Source: Information from the website of the Stock Exchange

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Note:

- (1) The total number of issued Shares is 500,000,000, as extracted from the latest monthly return of equity issuer on movements in securities of the Company.
- (2) The total number of Shares held by the public is 125,000,000, as disclosed in the Joint Announcement.

As illustrated in the table above, the average daily trading volume of the Shares during the 12-month Period ranged from approximately 27,429 Shares to approximately 4,838,769 Shares, representing less than 0.01% to approximately 0.97% of the total number of the Shares in issue, or approximately 0.01% to approximately 3.87% of the total number of Shares held by the public.

We note that the trading volume of the Shares in October 2018 increased noticeably resulting from the increase in trading volume in the period from 19 October 2018 to 30 October 2018, compared to other months during the 12-month Period. We consider such surge in the trading volume is due to the market reaction to the aforementioned announcement made on 22 October 2018 and the Joint Announcement. Although the trading volume of the Shares tended to be more active during the Offer Period than that in the other months during the 12-month Period, the sustainability of the recent growth in the trading volume in the Shares after the Offer Period is uncertain.

Save for the aforesaid period, the historical trading volume of the Shares is relatively thin, as evidenced by the fact that the percentage of average daily trading volume to the total number of issued Shares has generally been below 0.1% during the 12-month Period. Given the Shares are illiquid, the disposal of a significant number of Shares held by the Shareholders in the open market would likely to trigger price slump of the Shares.

Given the thin historical average daily trading volume of the Shares, it is uncertain that the overall liquidity of the Shares could be maintained and that 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 exerting a downward pressure on the Share price. We, therefore, consider that the Share Offer provides the Independent Shareholders with an assured exit if they wish to realize their investments in the Shares.

5.3 Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we have considered using the price-to-earnings ratio (the “**P/E ratio**”) analysis and the price-to-book ratio (the “**P/B ratio**”) analysis to compare the Offer Price against the market valuation of other comparable companies.

In order to identify appropriate comparable companies, we have set forth the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange on the Last Trading Day; and (ii) revenue generated from similar

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business, namely, manufacturing and selling paper cigarette packages in the PRC, represent over 90% of its total revenues for their latest financial year, the financial result of which have been published. Based on the aforesaid selection criteria and to the best of our knowledge, we identified 2 comparable companies (the “**Comparables**”). We set out our findings in the table below:

Company name (Stock code)	Principal business	Share price (Note 1) (HK\$)	Market capitalization (Note 2) (HK\$'million)	P/E ratio (Note 3) (times)	P/B ratio (Note 4) (times)
Brilliant Circle Holdings International Limited (Stock code: 1008)	Provision of the printing of cigarette packages, manufacturing of laminated papers, and manufacturing and sales of radio frequency identification products.	0.87	1,364.1	9.9	0.5
Tourism International Holdings Limited (Stock code: 1626) (Note 5)	Engaged in the design, printing and sales of paper cigarette packages and to a lesser extent, social product paper packages in the PRC.	1.06	318.0	121.1	1.1
Average				65.4	0.8
The Company (Stock code: 1629) (Note 5)	Engaged in the manufacture and sales of packing materials for cigarette in PRC.	1.42 (Note 6)	710.0 (Note 7)	132.3 (Note 8)	5.3 (Note 9)

Source: Information from the website of the Stock Exchange

Notes:

- (1) The share price is based on the closing share price as at the Last Trading Day.
- (2) The market capitalization is based on the number of issued shares and the closing share price as at the Last Trading Day.
- (3) The P/E ratio is calculated based on the market capitalization as at the Last Trading Day divided by the net profit attributable to equity holders as extracted from the latest published annual report.
- (4) The P/B ratio is calculated based on the market capitalization as at the Last Trading Day divided by the net asset value attributable to equity holders as extracted from the latest published financial report.
- (5) The financial reports were presented in Renminbi. For comparison purpose, conversion of RMB into HK\$ in this section is based on the approximately exchange rate as at the Last Trading Day, i.e. HK\$1 = RMB0.88.
- (6) The Offer Price of HK\$1.42 per Share.

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- (7) The implied market capitalization of the Group is estimated using the Offer Price and the issued share capital of the Group of 500,000,000 Shares as at the Latest Practicable Date.
- (8) The implied P/E ratio is calculated using the implied market capitalization divided by the net profit attribute to equity holders of RMB4,724,000 (approximately HK\$5,368,000) as extracted from the Company's latest published annual report.
- (9) The implied P/B ratio is calculated using the implied market capitalization divided by the latest published net asset value attribute to equity holders of RMB117,986,000 (approximately HK\$134,075,000).

We have compared the P/E ratio of the Company as implied by the Offer Price against those of the Comparables. As shown on the above table, the P/E ratio of the Comparables ranged from 9.9 times to 121.1 times. The implied P/E ratio under the Share Offer of approximately 132.3 times is higher than the P/E ratio of the Comparables. This implies that, in terms of the P/E ratio, the valuation of the Company based on the Offer Price is more favourable than the valuation of the Comparables.

In addition, we have also compared the P/B ratio of the Company as implied by the Offer Price against those of the Comparables. As shown on the above table, the P/B ratio of the Comparables ranged from 0.5 times to 1.1 times. The implied P/B ratio under the Share Offer is approximately 5.3 times, which is higher than the P/E ratio of the Comparables. This implies that, in terms of the P/B ratio, the valuation of the Company based on the Offer Price is more favourable than the valuation of the Comparables.

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RECOMMENDATIONS

Having considered the aforementioned principal factors and reasons, including in particular:

- (i) the Company recorded a loss of RMB0.6 million after adjusting for a one-off subsidy income from the government relating to the listing in the latest full financial year, as compared to profit for the year of RMB16.6 million for the year ended 31 December 2016, and the financial performance of the Group for 2017 and the first half of 2018 was worse than that for 2016;
- (ii) in view of the slowdown of PRC economy and fact that the sales volume of cigarette could not catch up with the PRC's real GDP growth, there are uncertainties regarding the future sales volume of cigarette in the PRC, and an increasing number of cities in the PRC are implementing new regulation on prohibiting people to smoke in indoor public places;
- (iii) despite a modest growth in the sales volume of cigarettes in the PRC in 2017, the Group recorded a substantial decrease in its revenue in 2017;
- (iv) the Offer Price represents a premium of 7% over the average closing prices of the Shares during the Review Period and a premium of approximately 431.84% on the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2018;
- (v) the historical trading volume of the Shares during the Review Period is thin and the sustainability of the recent growth of the trading volume of the Shares after the Offer Period is uncertain; and
- (vi) the P/E ratio and the P/B ratio of the Company as implied by the Offer Price is well above the P/E ratio and the P/B ratio of the Comparables,

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

In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Share Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.

In addition, the Independent Shareholders who wish to realize their investments in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period as, having taken into account the thin historical trading volume of the Shares on the Stock Exchange as discussed in the sub-section

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“Historical Liquidity of the Shares” of this letter, they may experience difficulty in disposing of the Shares in the open market without creating downward pressure on the price of the Shares.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Share Offer as set out in the Composite Document, its appendices and the accompanying Forms of Acceptance.

Yours faithfully,

For and on behalf of

Grande Capital Limited

Matthew Leung

Sumwing Shum

Managing Director

Director

Mr. Matthew Leung is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Leung has over 8 years of experience in the corporate finance industry.

Mr. Sumwing Shum is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer of Grande Capital Limited. Mr. Shum has over 3 years of experience in the corporate finance industry.

To accept the Share 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 Share Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Share Offer.

1. PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

- (a) 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 Share 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), to the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "Mengke Holdings Limited — Share Offer" on the envelope as soon as possible but in any event the aforementioned documents shall reach the Share Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed 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) to the Share Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Share Registrar, and deliver the Form of Acceptance duly completed and signed 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) to the Share Registrar; or

- (iii) 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 authorize HKSCC Nominees Limited to accept the Share Offer on your behalf 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
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System 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.
- (c) If you have lodged transfer(s) 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 Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Share Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror, SSIF Securities or their respective agent(s) to collect from the Company or the Share Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Share Registrar on your behalf and to authorise and instruct the Share Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Share Registrar with the Form of Acceptance.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Share 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 other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) 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) should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or

other document(s) of title, you should also write to the Share Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Share Registrar.

- (e) Acceptance of the Share Offer will be treated as effective and valid only if the completed Form of Acceptance is received by the Share Registrar on or before the latest time for acceptance of the Share Offer and the Share Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representatives (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 subparagraph of this paragraph (e)); or
 - (iii) certified by the Share Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be produced.

- (f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.
- (g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Share Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Share Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Share Offer is extended, the Offeror will issue an announcement in relation to any extension of the Share Offer, which announcement will state either the next Closing Date or, a statement that the Share Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Share Offer is closed to those Shareholders who have not accepted the relevant Share Offer before the Share Offer is closed. If, in the course of the Share Offer, the Offeror revise the terms of the Share Offer, all Shareholders, whether or not they have already accepted the Share Offer, will benefit under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (c) If the Closing Date 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 subsequent closing date.

3. ANNOUNCEMENTS

- (a) 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 expiry, revision and extension of the Share Offer. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer has been revised, extended or expired. The announcement will state the following:
 - (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed

securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Share Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Share Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Share Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Share Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “3. Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, if the Independent Shareholder(s) withdraw(s) the acceptance, 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) in respect of the Shares lodged with the Form of Acceptance to the Independent Shareholder(s).

5. SETTLEMENT UNDER THE SHARE OFFER

Provided that a valid Form of Acceptance and 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 relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Share Registrar on or before 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the Shareholders who accept the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days of the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Share Registrar to render each such acceptance complete and valid.

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

Settlement of the consideration to which any Shareholder is entitled under the Share Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

6. OVERSEAS SHAREHOLDERS

The making of the Share Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Share Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Share Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by the accepting Shareholders).

Acceptance of the Share Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Share Offer.

7. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Share Offer. It is emphasised that none of the Offeror, parties acting in concert with it, the Company, SSIF Securities, GF Securities, GF Capital, ZhongHua Finance, the Share Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any persons involved in the Share Offer is in a position to advise the Independent Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

8. GENERAL

- (a) All communications, notices, Form of Acceptance, certificate(s), share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Share Offer will be delivered by or sent to or from the Independent Shareholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with it, the Company, SSIF Securities, GF Securities, GF Capital, ZhongHua Finance, the Share Registrar, other parties involved in the Share Offer and (as the case may be) their respective ultimate beneficial owners, directors, officers, advisers, associates, agents accepts any liability for any loss or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance forms part of the terms and conditions of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Share Offer is made will not invalidate the Share Offer in any way.
- (d) The Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer.
- (e) Due execution of the Form of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to the Offeror, SSIF Securities or such person or persons as the Offeror or SSIF Securities may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares respect of which such person or persons has/have accepted the Share Offer.
- (f) Acceptance of the Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and SSIF Securities that the Shares tendered under the Share Offer are sold by such person or persons free from all Encumbrances and together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the date of this Composite Document.
- (g) Acceptance of the Share 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 Share Offer.

- (h) If no number is inserted or a number inserted is greater than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Share Offer and you have signed this form, this form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Share Registrar on or before 4:00 p.m. on the Closing Date.
- (i) Reference to the Share Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (j) In making their decisions, Shareholders must rely on his/her/its/their own examination of the Offeror and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained therein, and the Form of Acceptance are not to be construed as legal or business advice. Shareholders could consult with his/her/its/their own professional advisers for professional advice.
- (k) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2015, 2016 and 2017, respectively, as extracted from the relevant published financial statements of the Group for the relevant years, and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 as extracted from the published interim report of the Company dated 27 September 2018.

The auditors of the Company for the three years ended 31 December 2017 were PricewaterhouseCoopers. Their opinions on the consolidated financial statements of the Group for each of the three years ended 31 December 2017 were unqualified.

There were no items of any income or expense which are material in respect of the consolidated financial results of the Group for each of the aforesaid periods.

(A) CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited For the six months ended 30 June 2018 RMB'000		Audited For the year ended 31 December 2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	102,189		238,310	310,708	319,273
Cost of sales	<u>(85,460)</u>		<u>(193,363)</u>	<u>(246,114)</u>	<u>(252,900)</u>
Gross profit	16,729		44,947	64,594	66,373
Other income and other gains — net	313		5,924	33	1,481
Distribution expenses	(5,648)		(17,987)	(17,947)	(17,225)
Administrative expenses	<u>(10,083)</u>		<u>(25,926)</u>	<u>(52,217)</u>	<u>(24,201)</u>
Operating profit/(loss)	<u>1,311</u>		<u>6,958</u>	<u>(5,537)</u>	<u>26,428</u>
Finance income	259		543	522	718
Finance expense	<u>(324)</u>		<u>(1,092)</u>	<u>(1,593)</u>	<u>(1,629)</u>
Finance expense — net	<u>(65)</u>		<u>(549)</u>	<u>(1,071)</u>	<u>(911)</u>
Profit/(loss) before income tax	1,246		6,409	(6,608)	25,517
Income tax expense	<u>(184)</u>		<u>(1,685)</u>	<u>(2,827)</u>	<u>(3,625)</u>
Profit for the period/year	<u>1,062</u>		<u>4,724</u>	<u>(9,435)</u>	<u>21,892</u>
Other comprehensive income	—		—	—	—
Total comprehensive income/ (loss) for the year	<u>1,062</u>		<u>4,724</u>	<u>(9,435)</u>	<u>21,892</u>
Attributable to:					
Equity holders of the Company	<u>1,062</u>		<u>4,724</u>	<u>(9,435)</u>	<u>21,892</u>
Earnings/(losses) per share (expressed in RMB per share)					
Basic and diluted	<u>0.21 cents</u>		<u>0.94 cents</u>	<u>(2.43) cents</u>	<u>5.84 cents</u>

(B) CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30 June 2018 RMB'000	2017 RMB'000	Audited As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS				
Non-current assets				
Prepaid operating lease	11,937	12,104	12,441	12,778
Property, plant and equipment	35,539	37,290	37,117	38,698
Intangible assets	82	108	128	135
Prepayments	672	—	—	—
Deferred income tax assets	285	485	1,424	867
	<u>48,515</u>	<u>49,987</u>	<u>51,110</u>	<u>52,478</u>
Current assets				
Inventories	71,594	63,232	49,317	48,566
Trade and other receivables and prepayments	136,005	147,853	173,717	146,693
Notes receivables	2,000	3,499	1,000	1,200
Amounts due from a related party	—	1,511	—	—
Restricted cash	31,388	38,719	48,123	37,565
Cash and cash equivalents	12,980	14,776	23,833	7,754
	<u>253,967</u>	<u>269,590</u>	<u>295,990</u>	<u>241,778</u>
Total assets	<u><u>302,482</u></u>	<u><u>319,577</u></u>	<u><u>347,100</u></u>	<u><u>294,256</u></u>
EQUITY				
Equity attributable to Shareholders of the Company				
Share capital	4,459	4,459	4,459	—
Other reserves	101,642	101,392	100,892	35,929
Retained earnings	11,885	10,823	6,099	17,129
Total equity	<u>117,986</u>	<u>116,674</u>	<u>111,450</u>	<u>53,058</u>
LIABILITIES				
Non-current liability				
Deferred government grants	1,163	1,236	1,382	1,502
Current liabilities				
Borrowings	15,000	14,980	20,000	15,000
Trade and other payables	108,315	121,966	120,713	142,639
Notes payables	60,000	62,313	88,123	65,130
Amounts due to related parties	—	2,086	4,905	15,223
Current income tax liabilities	18	322	527	1,704
	<u>183,333</u>	<u>201,667</u>	<u>234,268</u>	<u>239,696</u>
Total liabilities	<u>184,496</u>	<u>202,903</u>	<u>235,650</u>	<u>241,198</u>
Total equity and liabilities	<u><u>302,482</u></u>	<u><u>319,577</u></u>	<u><u>347,100</u></u>	<u><u>294,256</u></u>

2. FINANCIAL STATEMENTS OF THE GROUP

Unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2018

The Company is required to set out or refer to in this Composite Document the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 (the “**2018 Interim Financial Statements**”), together with the notes to the relevant accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Interim Financial Statements are set out from page 13 to page 32 in the Interim Report 2018 of the Company, which was published on 27 September 2018. The Interim Report 2018 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.mengkeholdings.com>), and is accessible via the following hyperlinks: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0927/LTN20180927227.pdf>.

Audited consolidated financial information of the Group for the year ended 31 December 2017

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 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 2017 Financial Statements are set out from page 41 to page 93 in the Annual Report 2017 of the Company, which was published on 20 April 2018. The Annual Report 2017 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.mengkeholdings.com>), and is accessible via the following hyperlinks: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN20180420165.pdf>.

3. INDEBTEDNESS

As at the close of business on 30 September 2018, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness and contingent liabilities prior to the printing of this Composite Document, apart from intra-group liabilities, normal trade and other payables, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2017, the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the sole director of 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 statement in this Composite Document misleading.

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

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

HK\$

Authorised:

1,000,000,000 Shares of HK\$0.01 each	10,000,000
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Issued and fully paid:

500,000,000 Shares of HK\$0.01 each	5,000,000
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All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

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

No Shares have been issued since 31 December 2017, being the date to which the latest audited financial statements of the Company were made up.

(b) Listing

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

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

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

Name	Capacity	Total number of Shares held (long position)	Approximate percentage of interests
GF Securities Co., Ltd.	Interest in a controlled corporation (<i>Note 1</i>)	375,000,000	75.00%
GF Holdings (Hong Kong) Corporation Limited	Interest in a controlled corporation (<i>Note 1</i>)	375,000,000	75.00%
GF Securities	Interest in a security interest (<i>Note 1</i>)	375,000,000	75.00%
Shanxi Securities Company Limited	Interest in a controlled corporation (<i>Note 2</i>)	375,000,000	75.00%
Shanxi Securities International Financial Holdings Limited	Interest in a controlled corporation (<i>Note 2</i>)	375,000,000	75.00%
SSIF Securities	Interest in a security interest (<i>Note 2</i>)	375,000,000	75.00%
Champion Alliance	Beneficial owner (<i>Note 3</i>)	350,000,000	70.00%

Name	Capacity	Total number of Shares held (long position)	Approximate percentage of interests
Mr. Chen	Interest in a controlled corporation (<i>Note 3</i>)	350,000,000	70.00%
Ms. Chen Xiuchun	Interest of spouse (<i>Note 4</i>)	350,000,000	70.00%
CM Asset Management (Hongkong) Company Limited	Investment manager	45,704,000	9.14%
Shareholder Value Fund	Beneficial owner	45,704,000	9.14%
Mr. He	Interest in a controlled corporation (<i>Note 5</i>)	25,000,000	5.00%
Million Success	Beneficial owner (<i>Note 5</i>)	25,000,000	5.00%
Ms. Tao Wei	Interest of spouse (<i>Note 6</i>)	25,000,000	5.00%

Notes:

1. A security interest in these Shares was acquired by GF Securities, which is wholly-owned by GF Holdings (Hong Kong) Corporation Limited, which is in turn wholly-owned by GF Securities Co., Ltd. As a result, each of GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. is deemed to be interested in these Shares pursuant to the SFO.
2. A security interest in these Shares was acquired by SSIF Securities, which is wholly-owned by Shanxi Securities International Financial Holdings Limited, which is in turn wholly-owned by Shanxi Securities Company Limited. As a result, each of Shanxi Securities International Financial Holdings Limited and Shanxi Securities Company Limited is deemed to be interested in these Shares pursuant to the SFO.
3. These Shares were beneficially owned by Champion Alliance, which is wholly-owned by Mr. Chen. As a result, Mr. Chen is deemed to be interested in these Shares pursuant to the SFO.
4. Ms. Chen Xiuchun is the spouse of Mr. Chen and is deemed to be interested in all the Shares in which Mr. Chen is interested pursuant to the SFO.
5. These Shares were beneficially owned by Million Success, which is in turn wholly-owned by Mr. He. As a result, Mr. He is deemed to be interested in these Shares pursuant to the SFO.
6. Ms. Tao Wei is the spouse of Mr. He and is deemed to be interested in all the Shares in which Mr. He is interested pursuant to the SFO.

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

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES

- (a) During the Relevant Period and up to the Latest Practicable Date,
 - (i) save for the sale of the Acquired Shares under the SP Agreement by Happily Soar and Liberal Rite, none of the Directors had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
 - (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;
- (b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company was owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of members of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) during the Offer Period and up to the Latest Practicable Date;
- (c) save for the SP Agreement, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the Latest Practicable Date;
- (d) none of the Company nor any Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (e) none of the Directors beneficially own any Shares and accordingly none of them is entitled to the Share Offer; and

- (f) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

5. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

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

6. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, 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) had been entered into or amended within 6 months before the commencement of the Offer 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.

7. MATERIAL CONTRACTS

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

- (a) the deed of non-competition undertaking dated 14 November 2016 given by the controlling Shareholders in favour of the Company;
- (b) the deed of indemnity dated 14 November 2016 given by the controlling Shareholders in favour of the Company;

- (c) the public offer underwriting agreement dated 14 November 2016 entered into among the Company, the executive Director, the controlling Shareholders, the sole sponsor, the joint bookrunners and other underwriters;
- (d) the placing underwriting agreement dated 21 November 2016 entered into among the Company, the joint bookrunners and the placing underwriters; and
- (e) the price determination agreement dated 21 November 2016 entered into among the Company, the sole sponsor and the joint bookrunners.

8. LITIGATION

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

9. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualifications
Grande Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer

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

10. GENERAL

- (a) The registered office of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands;
- (b) The principal place of business in Hong Kong of the Company is Room A, 17th Floor, Capitol Centre Tower II, 28 Jardine's Crescent, Causeway Bay, Hong Kong;
- (c) The company secretary of the Company is Mr. Lau Ka Ming, who is a fellow member of the Hong Kong Institute of Chartered Secretaries and a member of CPA Australia.
- (d) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong;

- (e) The registered office of Grande Capital Limited, the Independent Financial Adviser, is at 1204B, 12/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong; and
- (f) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room A, 17th Floor Capitol Centre Tower II, 28 Jardine's Crescent, Causeway Bay, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.mengkeholdings.com>) during the period from the date of this Composite Document onwards for as long as the Offer remain open for acceptance:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2016;
- (c) the annual report of the Company for the financial year ended 31 December 2017;
- (d) the interim report of the Company for the six months ended 30 June 2018;
- (e) the letter from the Board, the text of which is set out on pages 21 to 26 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-23 of this Composite Document; and
- (h) the letter of consent referred to in the paragraph headed "QUALIFICATION AND CONSENT OF EXPERT" in this Appendix III.

1. RESPONSIBILITY STATEMENT

Mr. Chen, the beneficial owner and sole director of the Offeror, accepts full responsibility for the accuracy of 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 have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

Save for the 375,000,000 Acquired Shares, none of the Offeror, its sole director, or parties acting in concert with it has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

As at the Latest Practicable Date, the Offeror and the parties acting in concert with it (including Million Success and its beneficial owner) are interested in 375,000,000 Shares, representing 75% of the total issued share capital of the Company. Save as disclosed above, the Offeror confirms that, as at the Latest Practicable Date:

- (a) the Offeror and parties acting in concert with it have not received any irrevocable commitment to accept the Share Offer;
- (b) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or parties acting in concert with it;
- (c) there are no conditions to which the Share Offer is subject;
- (d) save for the facility agreement (as amended or supplemented) and the security deed in relation to the Facility, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which may be material to the Share Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (e) save for the 375,000,000 Acquired Shares, none of the Offeror, its sole director, and/or parties acting in concert with it owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (f) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Offer;
- (g) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or parties acting in concert with it has borrowed or lent;

- (h) save for the facility agreement (as amended or supplemented) and the security deed in relation to the Facility, and the potential placing of the Shares tendered for acceptance of the Share Offer for the purpose of maintaining the public float of the Company, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuant of the Share Offer would be transferred, charged or pledged to any other persons;
- (i) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Share Offer;
- (j) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror and/or parties acting in concert with it and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the Share Offer;
- (k) no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and/or parties acting in concert with it and any other person;
- (l) save for the 350,000,000 Acquired Shares held by the Offeror, there is no shareholding in the Company in which sole director of the Offeror is interested;
- (m) other than the consideration under the SP Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it to Happily Soar and Liberal Rite or parties acting in concert with either of them in respect of the Acquired Shares; and
- (n) there is no special deal (under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on the one hand and Happily Soar and Liberal Rite and parties acting in concert with either of them on the other hand.

3. EXPERTS AND CONSENTS

In addition to those listed in paragraph “9. Qualification and consent of expert” of Appendix III to this Composite Document, the following is the qualification of the experts who have given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
SSIF Securities	a corporation licensed to carry out type 1 regulated activity (as defined under the SFO) under the SFO
GF Capital	a corporation licensed to carry out type 6 regulated activity (as defined under the SFO) under the SFO
ZhongHua Finance	a corporation licensed to carry out type 6 regulated activity (as defined under the SFO) under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with inclusion of its opinions or advice and the references to its name included herein in the form and context in which it appears.

4. MISCELLANEOUS

- (a) The Offeror, Champion Alliance International Corporation, is an investment holding company incorporated in the British Virgin Islands and beneficially and wholly owned by Mr. Chen who is also the sole director of the Offeror as at the Latest Practicable Date. The registered office of the Offeror is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (b) The registered office of Million Success is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (c) The registered office of GF Capital and GF Securities is at 29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (d) The registered office of SSIF Securities is at Unit A, 29/F, Admiralty Center Tower 1, 18 Harcourt Road, Admiralty, Hong Kong.
- (e) The registered office of ZhongHua Finance is at Suite 136, 13th Floor, Somptueux Central, 52–54 Wellington Street, Central, Hong Kong.
- (f) 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 AVAILABLE FOR INSPECTION

In addition to the documents set forth in paragraph “11. Documents available for inspection” of Appendix III to this Composite Document, copies of the following documents are available for inspection on the website of the Securities and Futures Commission at www.sfc.hk, and the Company’s website at <http://www.mengkeholdings.com> during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from SSIF Securities, the text of which is set out on pages 6 to 20 of this Composite Document;
- (c) the written consent(s) from each of the parties referred to in the section headed “3. Experts and Consents” in this appendix; and
- (d) the SP Agreement.