

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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



EAGLE LEGEND ASIA LIMITED
鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

Mighty Empire Group Limited

(Incorporated in the British Virgin Islands with limited liability)

**COMPOSITE DOCUMENT
RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
KAISA FINANCIAL GROUP COMPANY LIMITED
FOR AND ON BEHALF OF
THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
EAGLE LEGEND ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY THE OFFEROR AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser 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 this Composite Document.

A letter from Kaisa Financial containing, among other things, principal terms of the Offer is set out on pages 8 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 22 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 25 to 48 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Form of Acceptance should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Friday, 18 June 2021 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	1
DEFINITIONS	3
LETTER FROM KAISA FINANCIAL	8
LETTER FROM THE BOARD	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	25
APPENDIX I — FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE GROUP	III-1
APPENDIX IV — GENERAL INFORMATION OF THE OFFEROR	IV-1

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

Events	Time and Date
	2021
Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (<i>Note 1</i>)	Friday, 28 May
Latest time and date for acceptance of the Offer (<i>Note 2</i>)	4:00 p.m. on Friday, 18 June
Closing Date (<i>Note 2</i>)	Friday, 18 June
Announcement of the results of the Offer, to be posted on the website of the Stock Exchange (<i>Note 2</i>)	No later than 7:00 p.m. on Friday, 18 June
Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Note 3</i>)	Tuesday, 29 June

Notes:

- (1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
- (2) In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 18 June 2021 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on Friday, 18 June 2021 stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of Withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

EXPECTED TIMETABLE

- (4) If there is a tropical cyclone warning signal number 8 or above, “extreme conditions” caused by super typhoons or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

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

All references to dates and times contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong dates and times.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Offeror from the Vendor in accordance with the terms and conditions of the Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Acting In Concert Undertaking”	a deed of undertaking entered into by Excel Range in favour of the Offeror dated 28 April 2021 pursuant to which Excel Range has irrevocably and unconditionally undertaken to the Offeror, among other things, that it will act in concert with the Offeror with respect to the Company
“Agreement”	the agreement for the sale and purchase of the Sale Shares dated 28 April 2021 and entered into by and among the Vendor and the Offeror in relation to the sale and purchase of the Sale Shares
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Friday, 18 June 2021, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code
“Company”	Eagle Legend Asia Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 936)

DEFINITIONS

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement, which took place on 29 April 2021
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders in connection with the Offer
“Consideration”	the consideration paid by the Offeror to the Vendor for the Sale Shares
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Excel Range”	Excel Range Investments Limited, a company incorporated with limited liability in the BVI, which is held as to approximately 33.3% by each of Ms. Kwok Hiu Ting, Ms. Kwok Hiu Yan and Ms. Kwok Ho Lai, each a daughter of Mr. Kwok Ying Shing (the chairman and an executive director of Kaisa Group) and a sister of Mr. Kwok Hiu Kwan (an executive director of Kaisa Group)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors of the Company, which has been established for the purpose of advising the Independent Shareholders in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed for the purpose of advising the Independent Board Committee in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer
“Independent Shareholders”	holders of the Share(s), other than the Offeror and parties acting in concert with it (including Excel Range)
“Joint Announcement”	the announcement jointly published by Kaisa Group, the Offeror and the Company dated 28 April 2021 in relation to, among others, the Acquisition and the Offer
“Kaisa Financial”	Kaisa Financial Group Company Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activity, being the offer agent to the Offeror
“Kaisa Group”	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1638)
“Last Trading Day”	28 April 2021, being the last trading day of the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	25 May 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory unconditional cash offer made by Kaisa Financial, on behalf of the Offeror, to acquire all the issued Shares not already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Offer Period”	the period from 28 April 2021, being the date of the Joint Announcement to the Closing Date, or such other date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Shares”	460,000,000 Shares that are subject to the Offer
“Offeror”	Mighty Empire Group Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Kaisa Group
“Overseas Shareholders”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China
“Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror in respect of the Acquisition and the Offer
“Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 28 October 2020, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Shares”	324,400,000 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Agreement, representing approximately 30.60% of the entire issued share capital of the Company

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Harbour Luck Investments Limited, a company incorporated in Hong Kong with limited liability and which is solely and beneficially owned by Mr. Zeng Li
“%”	per cent.

LETTER FROM KAISA FINANCIAL



佳兆業金融集團有限公司
KAISA FINANCIAL GROUP COMPANY LIMITED

30/F, The Center
99 Queen's Road Central
Central, Hong Kong

To the Independent Shareholders

28 May 2021

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KAISA FINANCIAL GROUP COMPANY LIMITED
FOR AND ON BEHALF OF
MIGHTY EMPIRE GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
EAGLE LEGEND ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY MIGHTY EMPIRE GROUP LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 28 April 2021, the Vendor and the Offeror entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 324,400,000 Shares, representing approximately 30.60% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$145,980,000 (being HK\$0.45 per Sale Share).

Immediately prior to Completion, the Offeror did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, whereas Excel Range, a party acting in concert with the Offeror, held 275,600,000 Shares, representing 26% of the entire issued share capital of the Company. On 29 April 2021, Completion took place, and the Company was held as to approximately 30.60% by the Offeror. The Offeror and parties acting in concert with it (including Excel Range) owned in aggregate 600,000,000 Shares, representing approximately 56.60% of the entire issued share capital of the Company.

Upon Completion, the Offeror was required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM KAISA FINANCIAL

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

THE OFFER

Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

For each Offer Share HK\$0.45 in cash

The price of HK\$0.45 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendor pursuant to the Agreement.

As at the Latest Practicable Date, there were 1,060,000,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or securities convertible into Shares.

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

Offer Price

The offer price of the Offer of HK\$0.45 per Offer Share represents:

- (a) a discount of approximately 21.1% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 17.6% to the average closing price of approximately HK\$0.546 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 16.8% to the average closing price of approximately HK\$0.541 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 12.5% to the average closing price of approximately HK\$0.514 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM KAISA FINANCIAL

- (e) a premium of approximately 276.3% over the Group's audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.1196 as at 31 December 2020 (based on a total of 1,060,000,000 Shares as at the date of the Joint Announcement and the Group's audited consolidated net asset value attributable to Shareholders of approximately HK\$126,808,000 as at 31 December 2020); and
- (f) a discount of approximately 54.55% to the closing price of HK\$0.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share Prices

The highest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$1.19 per Share on 4 May 2021.

The lowest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.38 per Share on 13, 14 and 15 January 2021 respectively.

Total Consideration for the Offer Shares

As at the Latest Practicable Date, 1,060,000,000 Shares were in issue and the Company did not have any outstanding options, warrants or derivatives or securities convertible into Shares. Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK\$0.45 per Offer Share, the entire issued share capital of the Company would be valued at HK\$477,000,000. The Offer will be made to the Independent Shareholders. As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including Excel Range) held in aggregate 600,000,000 Shares. Assuming that there is no change in the issued share capital of the Company, 460,000,000 Shares will be subject to the Offer. Based on the offer price of HK\$0.45 per Offer Share, the consideration for the Offer would be HK\$207,000,000.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document.

The Company does not intend to declare any dividend during the Offer Period (as defined in the Takeovers Code).

LETTER FROM KAISA FINANCIAL

Financial resources available for the Offer

The Offeror financed the consideration for the Sale Shares payable under the Agreement with advance from Kaisa Group. The total consideration of HK\$145,980,000 was paid in full on Completion (i.e. 29 April 2021).

The maximum amount of cash payable by the Offeror in respect of full acceptance of the Offer is HK\$207,000,000, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer. The Offeror intends to finance the consideration payable under the Offer with advance from Kaisa Group.

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

Effect of accepting the Offer

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 4 headed "Right of Withdrawal" in Appendix I to this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible within seven business days (as defined in the Takeovers Code) of the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

LETTER FROM KAISA FINANCIAL

Hong Kong Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant the Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting the Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be prohibited or affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consent 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 in respect of such jurisdictions).

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

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, their respective ultimate beneficial owners, Kaisa Financial, Rainbow Capital, Red Sun, the Registrar or any of their respective directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Offer.

LETTER FROM KAISA FINANCIAL

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (a) immediately prior to Completion; and (b) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	% (Note)
Offeror and parties acting in concert with it				
Offeror	–	–	324,400,000	30.60
Excel Range	275,600,000	26.00	275,600,000	26.00
Sub-total	275,600,000	26.00	600,000,000	56.60
Vendor	324,400,000	30.60	–	–
Independent Shareholders	460,000,000	43.40	460,000,000	43.40
	<u>1,060,000,000</u>	<u>100.00</u>	<u>1,060,000,000</u>	<u>100.00</u>

Note: The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at the Latest Practicable Date.

INFORMATION ON THE GROUP

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

INFORMATION ON THE OFFEROR AND KAISA GROUP

The Offeror was incorporated in the BVI with limited liability. The Offeror is an investment holding company. The Offeror is a wholly-owned subsidiary of Kaisa Group. The controlling shareholder of Kaisa Group is Mr. Kwok Ying Shing. As at the Latest Practicable Date, Mr. Kwok Ying Shing is indirectly interested in approximately 25.29% of the issued share capital of Kaisa Group.

Kaisa Group is a large-scale integrated property developer. The shares of Kaisa Group began trading on the Main Board of the Stock Exchange on 9 December 2009. As a pioneer in the property market of the Guangdong-Hong Kong-Macao Greater Bay Area, Kaisa Group has anticipated China’s national development strategy and proactively

LETTER FROM KAISA FINANCIAL

undertaken comprehensive property development, urban redevelopment, operation of commercial properties, hotel management and property management. Its products comprise of residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes.

As an enterprise focusing on the urban renewal market in Shenzhen, Kaisa Group has been penetrating in the urban renewal market in the Greater Bay Area for many years and has become a leading enterprise in the industry by virtue of its good reputation and extensive experience. During the year ended 31 December 2020, Kaisa Group successfully converted 9 urban renewal projects in Hong Kong, Shenzhen, Guangzhou and Huizhou with gross floor area and saleable resource of approximately 1.8 million square metres and RMB64,000 million, which over-fulfilled its annual goal of conversion. In terms of attributable consideration of newly acquired land in 2020, land supply from urban renewal accounted for approximately 29% of Kaisa Group's total land supply and has become an important channel for the replenishment of Kaisa Group's landbank at low cost.

Kaisa Group is committed to the core values of "professionalism, innovation, value creation and responsibility" and manifests them by participating actively in a wide range of urban development projects in China. In recent years, Kaisa Group has also capitalized on a series of government policies on national development by diversifying into the fields of cultural activities and sports, health care and technology industry, aiming to achieve synergy between the various businesses. Kaisa Group has built such a good reputation that the "Kaisa" brand is itself guarantee of quality properties and good services. According to the "2020 Top 200 Chinese Property Developers" published by China Real Estate Information Corporation (CRIC), a leading provider of real estate information, consulting, advertising and online services with a presence in over 50 cities across China, Kaisa Group ranked 24th in terms of attributable contracted sales value and was awarded as "Top 40 Honored Enterprises of the 40th Anniversary of Shenzhen Special Economic Zone" by Securities Times for its efforts in serving Shenzhen's development. Kaisa Group's development will inject more creative energy into China's urbanization.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Group is principally engaged in trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery and property development, while Kaisa Group, through its subsidiaries, is principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department stores and cultural centre operations, water-way passenger and cargo transportation in the PRC. The directors of Kaisa Group believe that the Acquisition and the Offer are complementary to each of the Company and Kaisa Group, and their respective subsidiaries. The directors of Kaisa Group also believe that upon completion of the Acquisition and the Offer, synergies and chemistries will be created between the respective businesses of the Company and Kaisa Group through the crossover of the products and services being offered and delivered by the Company and Kaisa Group respectively in Hong Kong and the PRC. Kaisa Group may engage members of the Group as subcontractors of Kaisa Group for the leasing of the Group's construction

LETTER FROM KAISA FINANCIAL

machinery and for the provision of repair and maintenance services in respect of the construction machinery for the construction sites of Kaisa Group in Hong Kong and the PRC from time to time, thereby facilitating the development and expansion of both of their businesses.

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, (i) the Offeror had no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules or the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror had no intention to dispose of, acquire or redeploy the assets of the Group other than those in its ordinary course of business or acquire new businesses; (iii) the Offeror had no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group; and (iv) no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

Upon Completion, the Company was held as to approximately 30.60% by the Offeror. Pursuant to the terms of the Acting In Concert Undertaking, Excel Range has irrevocably and unconditionally undertaken to the Offeror that it will act in concert with the Offeror with respect to the Company where Excel Range will vote in the same manner as the Offeror in shareholder meetings of the Company and that it will let the Offeror take the lead with respect to the control of the Company. As a result of the Acting In Concert Undertaking, the Company has become a subsidiary of Kaisa Group upon Completion. The Acting in Concert Undertaking took effect from 29 April 2021, being the date of completion of the Acquisition, and will terminate upon the earliest to occur of (a) the Offeror or Excel Range ceasing to be a direct or indirect shareholder of the Company, (b) the Offeror agreeing in writing to terminate such undertaking; and (c) the winding up of the Company.

Proposed change of board composition of the Company

The Board is currently made up of six directors, comprising three executive Directors, namely Mr. Guo Peineng, Mr. Zhao Yi and Mr. Chen Huajie, and three independent non-executive Directors, namely Mr. Xu Xiaowu, Mr. Li Yongjun and Mr. Diao Yingfeng.

The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code (such date being the date of despatch of this Composite Document).

As at the Latest Practicable Date, the Offeror had not identified any candidate(s) for the new Director(s) to be appointed to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

LETTER FROM KAISA FINANCIAL

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

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

Therefore, it should be noted that upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors of the Company to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

ACCEPTANCE AND SETTLEMENT OF THE OFFER

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

COMPULSORY ACQUISITION

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

GENERAL

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

LETTER FROM KAISA FINANCIAL

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

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Kaisa Financial Group Company Limited
Lee Kin Ping Gigi
Director

EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

Executive Directors:

Mr. Guo Peineng (*Deputy Chairman*)

Mr. Zhao Yi (*Chief Executive Officer*)

Mr. Chen Huajie

Registered Office:

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Independent non-executive Directors:

Mr. Xu Xiaowu

Mr. Li Yongjun

Mr. Diao Yingfeng

*Head Office and Principal Place of Business
in Hong Kong:*

Unit 3610, 36/F., The Center,

99 Queen's Road Central,

Central, Hong Kong

28 May 2021

To the Independent Shareholders:

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KAISA FINANCIAL GROUP COMPANY LIMITED
FOR AND ON BEHALF OF
THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
EAGLE LEGEND ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY THE OFFEROR AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement and the joint announcement of Kaisa Group, the Offeror and the Company dated 29 April 2021.

On 28 April 2021, the Vendor and the Offeror entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 324,400,000 Shares, representing approximately 30.60% of the

LETTER FROM THE BOARD

entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$145,980,000 (being HK\$0.45 per Sale Share). Completion took place on 29 April 2021.

Immediately prior to Completion, the Offeror did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, whereas Excel Range, a party acting in concert with the Offeror, held 275,600,000 Shares, representing 26% of the entire issued share capital of the Company. On 29 April 2021, Completion took place, and the Company was held as to approximately 30.60% by the Offeror. The Offeror and parties acting in concert with it (including Excel Range) owned in aggregate 600,000,000 Shares, representing approximately 56.60% of the entire issued share capital of the Company. Upon Completion, the Offeror was required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

Further details of the Offer are set out in the “Letter from Kaisa Financial” and Appendix I to this Composite Document of which this letter forms part, and in the accompanying Form of Acceptance.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee in relation to the Offer.

THE OFFER

As at the Latest Practicable Date, there were 1,060,000,000 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 warrants, options, derivatives or securities of the Company as at the Latest Practicable Date.

Principal terms of the Offer

As disclosed in the “Letter from Kaisa Financial” on pages 8 to 17 of this Composite Document, Kaisa Financial is making the Offer for and on behalf of the Offeror to all Independent Shareholders for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share HK\$0.45 in cash

The price of HK\$0.45 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendor pursuant to the Agreement.

LETTER FROM THE BOARD

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document. The Company does not intend to declare any dividend during the Offer Period.

The Offer is unconditional in all respects. Acceptance of the Offer tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

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

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery and (ii) property development.

Set out below is a summary of the audited consolidated financial results of the Group for the two financial years ended 31 December 2019 and 2020 prepared in accordance with the relevant accounting principles and financial regulations applicable to the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 December	
	2019	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)
Revenue	124,473	143,061
Loss before income tax	(64,918)	(62,489)
Profit/(loss) for the year	16,300	(132,545)
Net assets	490,578	127,276

The auditors of the Company, Grant Thornton Hong Kong Limited, did not express an opinion on the consolidated financial statements of the Group for the years ended 31 December 2019 and 2020. Details of the basis for such disclaimer are set out in the annual reports of the Company for the years ended 31 December 2019 and 2020 respectively.

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

LETTER FROM THE BOARD

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraphs headed “Information on the Offeror and Kaisa Group” and “Intentions of the Offeror regarding the Group” in the “Letter from Kaisa Financial” as set out on pages 8 to 17 of this Composite Document. The Board is aware that, as at the Latest Practicable Date, (i) the Offeror had no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules or the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror had no intention to dispose of, acquire or redeploy the assets of the Group other than those in its ordinary course of business or acquire new businesses; (iii) the Offeror had no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group; and (iv) no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or businesses into the Group.

The Board is aware of the intention of the Offeror in respect of the Company as disclosed and is willing to render reasonable co-operation with the Offeror as and when needed to the extent that such co-operation is in the interests of the Company and the Shareholders as a whole.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

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

Therefore, it should be noted that upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors of the Company to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

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

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Xu Xiaowu, Mr. Li Yongjun, Mr. Diao Yingfeng, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer. Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 23 to 24 of this Composite Document; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 25 to 48 of this Composite Document containing their respective advice and recommendation in respect of the Offer and principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

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

Yours faithfully,
By order of the board of directors of
Eagle Legend Asia Limited
Zhao Yi
Executive Director & Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

28 May 2021

To the Independent Shareholders:

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KAISA FINANCIAL GROUP COMPANY LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
EAGLE LEGEND ASIA LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY THE OFFEROR AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 28 May 2021 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. the Independent Shareholders) as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the Offer and, in particular, whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 25 to 48 of this Composite Document.

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

RECOMMENDATION

Taking into account the terms of the Offer and the Independent Financial Adviser’s advice and recommendations, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” set out in this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the Offer price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Eagle Legend Asia Limited
Mr. Xu Xiaowu, Mr. Li Yongjun, Mr. Diao Yingfeng
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee in respect of the Offer for inclusion in this Composite Document.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 3303, 33/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

28 May 2021

To: The Independent Board Committee of Eagle Legend Asia Limited

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KAISA FINANCIAL GROUP LIMITED FOR
AND ON BEHALF OF
THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF
EAGLE LEGEND ASIA LIMITED (OTHER THAN THOSE
ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 28 May 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 28 April 2021, the Vendor and the Offeror entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 324,400,000 Shares, representing approximately 30.60% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total cash consideration of HK\$145,980,000 (being HK\$0.45 per Sale Share). Completion took place on 29 April 2021.

Immediately following Completion, the Offeror and parties acting in concert with it (including Excel Range) owned in aggregate 600,000,000 Shares, representing approximately 56.60% of the entire issued share capital of the Company. Therefore, the Offeror is required to make a mandatory unconditional cash offer 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) pursuant to Rule 26.1 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all three independent non-executive directors of the Company, namely Mr. Xu Xiaowu, Mr. Li Yongjun and Mr. Diao Yingfeng, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, Red Sun, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in relation to the Offer. Pursuant to Rule 2.1 of the Takeovers Code, our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Independent Shareholders should, or should not, accept the Offer.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Vendor, the Offeror or Kaisa Financial and any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are qualified to give independent advice to the Independent Board Committee in respect of the Offer. In the previous two years, we did not act as an independent financial adviser to the Company under the Listing Rules or Takeovers Code. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provide to us by the directors of the Company (the “**Directors**”) and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion and expectation made by 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 Company, its advisers, the Management and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Management, nor have we conducted an independent investigation into the business and affairs of the Company, the Vendor, the Offeror and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us at the Latest Practicable Date. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely for their consideration of the Offer.

The directors of the Offeror and the directors of Kaisa Group jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Directors) 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the directors 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 contained in the Composite Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas 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 adviser.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE OFFER

Subject to Completion, Kaisa Financial will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.45 in cash

The Offer Price of HK\$0.45 per Offer Share under the Offer is equivalent to the consideration per Sale Share under the Agreement, being calculated based on the consideration of HK\$145,980,000 and the total Sale Shares of 324,400,000 Shares.

As set out in the “Letter from Kaisa Financial” to the Composite Document, the Offer Price of HK\$0.45 per Offer Share paid by the Offeror pursuant to the Agreement and represents:

- (a) a discount of approximately 54.5% to the closing price of HK\$0.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 21.1% over the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on 28 April 2021, being the Last Trading Day;
- (c) a discount of approximately 17.6% over the average of the closing prices of Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.546 per Share;
- (d) a discount of approximately 16.8% over the average of the closing prices of Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.541 per Share;
- (e) a discount of approximately 12.5% over the average of the closing prices of Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.514 per Share; and
- (f) a premium of approximately 276.3% to the Group’s audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.1196 per Share as at 31 December 2020, calculated based on the Group’s audited consolidated net asset value attributable to the owners of the Company of approximately HK\$126,808,000 as at 31 December 2020 and 1,060,000,000 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group and outlook

(a) *Historical financial information of the Group*

The Company is an investment holding company. The Group is principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery; and (ii) property development.

Set out below is the summary of the Group's audited consolidated financial information for the three years ended 31 December 2018, 2019 and 2020 as extracted from the annual report of the Group for the year ended 31 December 2019 (the "**2019 Annual Report**") and the annual report of the Group for the year ended 31 December 2020 (the "**2020 Annual Report**"). As set out in the 2019 Annual Report and 2020 Annual Report, the then auditors of the Group issued a disclaimer of opinion on the Group's consolidated financial statements for the years ended 31 December 2019 and 2020, which was mainly attributable to the Group had dispute with the non-controlling shareholder of a 80%-owned subsidiary in the Disposed Group (defined hereafter) and was not allowed access to complete sets of management and accounting records of the aforementioned Disposed Group subsidiary. Nonetheless, the disposal of the Disposed Group was completed in June 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 1: Consolidated statement of profit or loss of the Group

	For the year ended		
	31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from Contract with Customers within the scope of HKFRS 15	143,061	124,473	108,277
– Sales of machinery	12,171	21,700	10,171
– Sales of spare parts	2,025	5,318	9,505
– Service income	27,715	45,864	38,840
Revenue from other sources			
– Rental income from leasing of owned plant and machinery and right-of-use assets	64,358	51,299	49,258
– Rental income from subleasing of short-term leases related to plant and machinery	36,792	292	503
Gross profit	66,868	53,791	47,395
Loss before tax	(62,489)	(64,918)	(81,880)
Loss for the year attributable to owners of the Company	(131,900)	(32,173)	(42,672)

Financial results for the year ended 31 December 2020 (“FY2020”) compared to the year ended 31 December 2019 (“FY2019”)

As set out in Table 1 above, the Group recorded revenue of approximately HK\$143.1 million for FY2020, representing an increase of approximately 14.9% as compared to the revenue of approximately HK\$124.5 million recorded for FY2019. As set out in the 2020 Annual Report, rental income from leasing of machinery increased from approximately HK\$51.6 million for FY2019 to approximately HK\$101.2 million for FY2020, representing an increase of approximately 96.1%, which was mainly attributable to the development of tower crane leasing market in the PRC.

The Group recorded an increase of approximately HK\$99.7 million in loss attributable to owners of the Company from approximately HK\$32.2 million for FY2019 to approximately HK\$131.9 million for FY2020. Such increase was mainly due to (i) the disposal of 51% equity interest in Best Earnest Investment Limited, together with its subsidiaries (the “**Disposed Group**”) in June 2020 which resulted in a net loss on disposal of approximately HK\$68.3 million for FY2020 (the “**Disposal Loss**”), details of which are set out in the 2020 Annual Report; and (ii) the profit from discontinued operations attributable to owners of the Company of approximately HK\$33.3 million during FY2019 (the “**Profit from Discontinued Operations**”). If the Disposal Loss of approximately HK\$68.3

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

million for FY2020 and the Profit from Discontinued Operations for FY2019 were to be excluded from this analysis, the loss attributable to owners of the Company for FY2020 would be reduced to approximately HK\$63.6 million for FY2020, which was generally in line with loss attributable to the owners of the Company from continuing operations of approximately HK\$65.4 million in FY2019.

Financial results for the financial year ended 31 December 2019 (i.e. FY2019) compared to financial year ended 31 December 2018 (“FY2018”)

As set out in Table 1 above, the Group recorded revenue of approximately HK\$124.5 million for FY2019, representing an increase of approximately 15.0% as compared to revenue of approximately HK\$108.3 million recorded for FY2018. As set out in the 2019 Annual Report, revenue from sales of machinery of approximately HK\$21.7 million was recorded for FY2019, representing an increase of approximately 113.4% from approximately HK\$10.2 million recorded for FY2018. Such increase in machinery sales was mainly attributable to an increase in sales of large tonnage tower crane. The Group’s customers in Singapore have shifted to buy new cranes with heavier lifting capacity to accommodate the adoption of pre-cast and pre-fabricated construction. Therefore, the Group launched large tonnage tower crane to meet their demands. With regard to the sale of used cranes, the Group also explored the Middle East market to increase its source of income.

The Group recorded a decrease in loss attributable to owners of the Company from approximately HK\$42.6 million for FY2018 to approximately HK\$32.2 million for FY2019. Such decrease was mainly due to the decrease in finance costs from approximately HK\$37.8 million for FY2018 to approximately HK\$22.0 million for FY2019, which was primarily attributable to the repayment of bonds during FY2018 with a principal amount of HK\$100,000,000 and interest rate of 18% per annum.

Table 2: Consolidated statement of financial position of the Group

	As at 31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	273,357	241,647	564,929
Current assets	212,296	665,355	253,618
Non-current liabilities	106,632	48,209	64,489
Current liabilities	251,745	368,215	271,700
Net current (liabilities)/assets	(39,499)	297,140	(18,082)
Equity attributable to the owners of the Company	126,808	235,537	271,851

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison of financial position as at 31 December 2020 and 31 December 2019

As set out in Table 2 above, as at 31 December 2020, the Group recorded net current liabilities of approximately HK\$39.5 million as compared to net current assets of approximately HK\$297.1 million recorded as at 31 December 2019, such decrease was largely attributable to the disposal of the Disposed Group during 2020, which resulted in a decrease of the “assets classified as held for sale” balance of approximately HK\$578.4 million, thereby reducing the corresponding current assets balance. The Group’s current asset decreased from approximately HK\$665.4 million as at 31 December 2019 to approximately HK\$212.3 million as at 31 December 2020, such movement was primarily attributable to the net effects of (i) the disposal of the Disposed Group during 2020 where all relevant assets and liabilities were classified as held for sale as at 31 December 2019; and (ii) the increase in properties under development of approximately HK\$95.6 million.

The Group recorded equity attributable to owners of the Company of approximately HK\$126.8 million, representing a decrease of approximately HK\$108.7 million as compared to that of approximately HK\$235.5 million recorded as at 31 December 2019. Such decrease was mainly attributable to the loss attributable to owners of the Company recognised for the year ended 31 December 2020 of approximately HK\$131.9 million.

Comparison of financial position as at 31 December 2019 and 31 December 2018

As set out in Table 2 above, as at 31 December 2019, the Group recorded net current assets of approximately HK\$297.1 million as compared to net current liabilities of approximately HK\$18.1 million recorded as at 31 December 2018. The Group’s current assets increased from approximately HK\$253.6 million as at 31 December 2018 to approximately HK\$665.4 million as at 31 December 2019. Such change was mainly as a result of the classification of all relevant assets and liabilities as held for sale as at 31 December 2019 following the resolution of disposal of the Disposed Group in December 2019.

The Group recorded equity attributable to owners of the Company of approximately HK\$271.9 million and HK\$235.5 million as at 31 December 2018 and 31 December 2019, respectively. Such decrease was mainly attributable to loss attributable to owners of the Company recognised for the year ended 31 December 2019 of approximately HK\$32.2 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Prospects and outlook of the Group*

As set out from the 2020 Annual Report, the Group's major source of revenue was from the provision of trading of construction machinery and spare parts (representing approximately 9.9% of revenue for FY2020), leasing of the construction machinery under operating leases (representing approximately 70.7% of revenue for FY2020) and providing repair and maintenance services (representing approximately 19.4% of revenue for FY2020) in respect of the construction machinery in the PRC, Hong Kong and Singapore. It is also noted from the 2020 Annual Report that the Group will, among others, continue to evaluate construction and property projects in Hong Kong, Singapore and the PRC and seek opportunities to acquire construction companies and increase its land reserve so as to achieve co-development in machinery, construction and property.

PRC

As extracted from the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>), set out below a summary of PRC's gross domestic product ("GDP") and GDP contributed by building and construction sector for 2018 to 2020:

	2018	2019	2020
	RMB billion	RMB billion	RMB billion
GDP	91,928	98,651	101,598
GDP by building and construction sector	6,180	7,064	7,299

Source: National Bureau of Statistics of the PRC

Note: 2020 information represents provisional results.

Based on the above table, the PRC recorded GDP of approximately RMB98,651 billion in 2019, representing an increase of approximately RMB6,723 billion from approximately RMB91,928 billion recorded in 2018. In 2020, GDP of PRC reached approximately RMB101,599 billion, being a year-on-year increase of approximately RMB2,938 billion from 2019. GDP contributed by the building and construction sector amounted to approximately RMB6,180 billion, RMB7,064 billion and RMB7,299 billion in 2018, 2019 and 2020, respectively, representing a year-on-year increase of approximately RMB884 billion and RMB235 billion, respectively.

Furthermore, based on publication¹ by the PRC government in relation to the Fourteenth Five Year Plan* (十四五規劃), one of the focus of the PRC government is to modernise the infrastructure system through, among others,

¹ 中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要, http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) speeding up the construction of new infrastructure* (加快建設新型基礎設施); (ii) accelerating the construction of transportation system* (加快建設交通強國); (iii) building of modernised energy system* (構建現代能源體系); and (iv) strengthening the construction of water infrastructure* (加強水利基礎設施建設). It is believed that the above policies will be favorable to the long-term development of building and construction industry in the PRC. However, the short-term development of the building and construction industry may be affected by the ongoing development and impact of the COVID-19 outbreak.

Hong Kong

As extracted from the “2020 Economic Background and 2021 Prospects”² published by the Hong Kong Government, set out below is a summary of Hong Kong’s GDP and GDP contributed by building and construction sector for 2018 to 2020:

	2018	2019	2020
	HK\$ billion	HK\$ billion	HK\$ billion
GDP	2,835	2,866	2,711
GDP by building and construction sector	309	295	273

Source: Census and Statistics Department of Hong Kong

Note: 2020 information represents provisional results.

Based on the above data, Hong Kong recorded GDP of approximately HK\$2,866 billion in 2019, representing an increase of approximately 1.1% from approximately HK\$2,835 billion recorded in 2018. In 2020, Hong Kong recorded GDP of approximately HK\$2,711 billion, representing a decrease of approximately 5.4% from that of 2019. GDP contributed by building and construction sector, on another hand, decreased from approximately HK\$309 billion in 2018, to approximately HK\$295 billion in 2019 and further decreased to approximately HK\$273 billion in 2020, representing a decrease of approximately 4.5% and 7.5%, respectively. The notable decrease from 2019 to 2020 is mainly attributable to the slowdown of economic activities under COVID-19 pandemic.

According to the speech by the Hong Kong financial secretary in relation to 2021-22 Budget³, it is mentioned that the Hong Kong Government will continue to invest in infrastructure, with annual capital works expenditure (i.e. public sector works) exceeding HK\$100 billion in the future. It was also expected that the annual total construction output, which comprised of both public sector construction works as well as private sector construction works, will increase to around HK\$300 billion.

² 2020 Economic Background and 2021 Prospect, https://www.hkeconomy.gov.hk/en/pdf/er_20q4.pdf

³ The 2021-22 Budget, speech by the Financial Secretary, https://www.budget.gov.hk/2021/eng/pdf/e_budget_speech_2021-22.pdf

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Along with the planned and ongoing infrastructure projects, such as the Third Runway projects at Hong Kong International Airport and the Central Kowloon Route, a highway project under construction, it is believed that the construction industry in Hong Kong will continue its recovery from the temporary impact of COVID-19 pandemic that has from time to time adversely affected the progress of construction projects and the overall output of the construction industry which was caused by, amongst others, (i) the delay as a result of temporary suspension of work on construction sites; (ii) temporary shortage on labour supply as a result of quarantine/travel restrictions imposed by the Hong Kong Government; and/or (iii) delay in construction progress due to compulsory or voluntary COVID-19 testings.

Singapore

As referenced from the Singapore Department of Statistics (<https://www.singstat.gov.sg/>), set out below a summary of Singapore's GDP and GDP contributed by building and construction sector for 2018 to 2020:

	2018	2019	2020
	<i>S\$ billion</i>	<i>S\$ billion</i>	<i>S\$ billion</i>
GDP	507	511	469
GDP by building and construction sector	18	18	12

Source: The Singapore Department of Statistics

As set out in the above table, Singapore recorded increase in GDP of approximately 0.8% from approximately S\$507 billion in 2018 to approximately S\$511 billion in 2019. However, in 2020, under the impact of COVID-19 pandemic, Singapore's GDP decreased to approximately S\$469 billion, representing a decrease of approximately 8.2%. GDP contributed by the building and construction industry, on another hand, remained broadly stable at approximately S\$18 billion in 2018 and 2019 and subsequently decreased to approximately S\$12 billion in 2020, representing a decrease of approximately 33.3%. The notable decrease from 2019 to 2020 was mainly attributable to the slowdown of economic activities under the impact of COVID-19 pandemic.

According to a publication⁴ by the Building and Construction Authority of Singapore (the "BCA") in January 2021, in anticipation of a gradual recovery of the global economy, contingent on the successful deployment and effectiveness of COVID-19 treatment and vaccines as well as easing of

⁴ Public Sector Construction Demand to Support the Sector's Recovery, BCA <https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/bca-media-release-prospects-2021.pdf>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

lockdown restrictions, it expects a steady improvement in construction demand over the medium term. It is estimated that the value of construction contracts will reach between approximately S\$25 billion and S\$32 billion per year from 2022 to 2025. The value of construction contracts from public sector is expected to lead the demand and contribute approximately S\$14 billion to S\$18 billion per year from 2022 to 2025 with similar proportions of demand coming from building projects and civil engineering works. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by large infrastructure and institutional projects such as various transportation infrastructure projects. On the other hand, the BCA also expects value of construction contracts from private sector construction's demand to improve steadily in the medium term to reach between approximately S\$11 billion and S\$14 billion per year from 2022 to 2025.

Summary

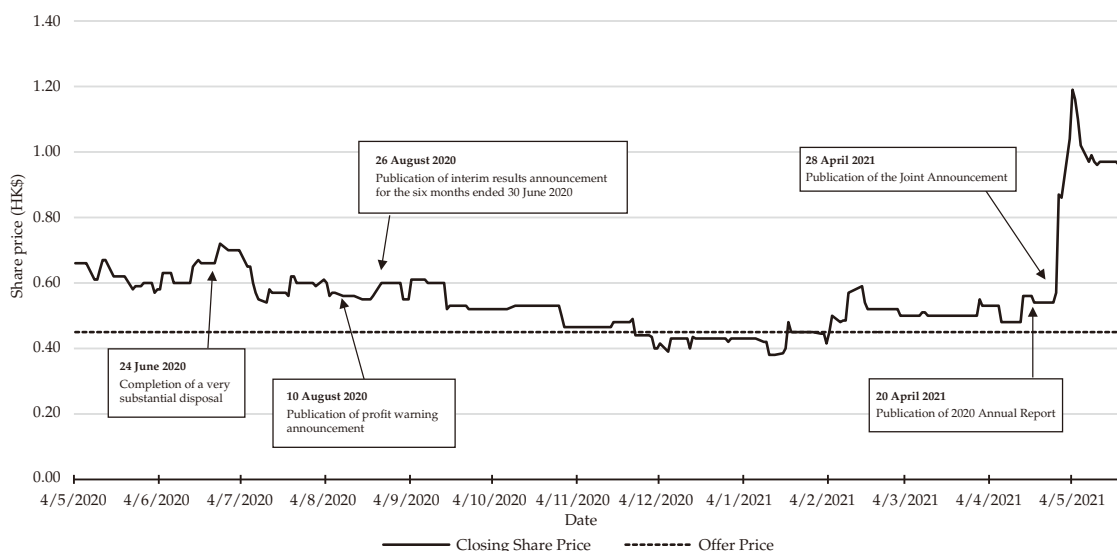
It is noted that the principal geographical locations of which the Company operates in have been temporarily affected by COVID-19 pandemic to various degree in 2020, while the continuous rate of recovery of these locations may differ and they may also be affected by the ongoing development of the COVID-19 pandemic. We also noted from the "Letter from Kaisa Financial" that the directors of Kaisa Group believe that the Acquisition and the Offer are complementary to each of the Company and Kaisa Group, and their respective subsidiaries, and that upon completion of the Acquisition and the Offer, synergies and chemistries will be created between the respective businesses of the Company and Kaisa Group through the crossover of the products and services being offered and delivered by the Company and Kaisa Group respectively in Hong Kong and the PRC. As set out from the 2020 Annual Report, the Group will continue to evaluate construction and property projects in Hong Kong, Singapore and China and seek opportunities to acquire construction companies and increase its land reserve so as to achieve co-development in machinery, construction and property. During 2020, the Group had one property development project under development in Hong Kong which was commenced in the second quarter of 2020. As at 31 December 2020, the Group's property project under development amounted to approximately HK\$95.6 million and represented approximately 19.7% of the Group's total assets.

In this connection, we also noted from Kaisa Group's annual report for the year ended 31 December 2020 that the principal business of Kaisa Group included property development, property investment, property management, hotel and catering operations, cinema, department stores and cultural centre operations, water-way passenger and cargo transportation and health care operations, in the PRC. As at 31 December 2020, Kaisa Group had 217 real estate projects in 51 cities in the PRC, with a land bank of approximately 28.8 million square metre.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Historical Share price performance

We have reviewed and analysed the closing prices of Shares (i) for approximately 12 months immediately prior to the Last Trading Day commencing on 1 May 2020 and up to and including the Last Trading Day (the “**First Review Period**”); and (ii) from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the “**Second Review Period**” together with the First Review Period, the “**Review Period**”) below:



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

The Offer Price of HK\$0.45 represents (a) a discount of approximately 20.0% to the average closing Share price of approximately HK\$0.56 per Share for the Review Period; (b) a discount of approximately 21.1% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day; and (c) a discount of approximately 54.5% to the closing price of HK\$0.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

First Review Period

During the First Review Period, the closing price of Shares fluctuated between the range from HK\$0.38 (13, 14 and 15 January 2021) to HK\$0.72 (26 June 2020), with an average of approximately HK\$0.53 per Shares. In general, the closing price of Shares experienced a downward trend from 1 May 2020 to around mid-January 2021 which could be attributable to, among others, the then prevailing adverse financial and economic conditions caused by COVID-19 pandemic, recording the lowest closing price per Share of HK\$0.38 during the First Review Period on 13, 14 and 15 January 2021, respectively, and traded between HK\$0.385 and HK\$0.59 per Share from 16 January 2021 up to the end of the First Review Period. It is noted that the Offer Price falls within the range of highest and lowest closing price of Shares during the First Review Period and represents (i) a discount of approximately 37.5% to the highest closing price of Shares; (ii) a premium of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately 18.4% over the lowest closing price of Shares; and (iii) a discount of approximately 15.2% to the average daily closing price of Shares during the First Review Period.

Second Review Period

Following the publication of the Joint Announcement on 28 April 2021, the closing price per Share increased notably from HK\$0.57 on the Last Trading Day to HK\$0.87 on the trading day immediately after the publication of the Joint Announcement, representing an increase of approximately 52.6%. We have enquired into the possible reasons attributed to the notable increase in closing price of Shares subsequently after the publication of the Joint Announcement and as confirmed by the Directors, save for the information as set out in the Joint Announcement, the Directors were not aware of any matters which might have a material effect on the price of Shares. We consider that such increase in the price of Shares after the release of the Joint Announcement may be attributable to market reactions to the Offer. Therefore, there is no assurance that the closing price of Shares will rise or continue to maintain at a level equal to or above the Offer Price after the Latest Practicable Date and/or after closing of the Offer. Save for such increase, the overall performance of the closing price of Share was in a gradual downward trend during majority of the First Review Period.

During the Second Review Period, the closing price per Share ranged from HK\$0.86 to HK\$1.19 with an average closing price per Share of approximately HK\$1.00. The closing price per Share as at the Latest Practicable Date was HK\$0.99. The Offer Price represents (i) a discount of approximately 54.9% to the average daily closing price of Shares during the Second Review Period; and (ii) a discount of approximately 54.5% to the closing price of Shares as at the Latest Practicable Date.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Liquidity of Shares

The table below sets out the trading volume of Shares during the Review Period:

	Total monthly trading volume of Shares (Shares)	Number of trading days	Number of trading days with no trading	Average daily trading volume of Shares (approximate Shares)	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date (Note 3)	Percentage of average daily trading volume to total number of Shares held by the Independent Shareholders (or public shareholders of the Company) as at the Latest Practicable Date (Note 4)
2020						
May	4,050,000	20	8	202,500	0.0191%	0.0440%
June	1,760,000	21	5	83,810	0.0079%	0.0182%
July	1,155,000	22	11	52,500	0.0050%	0.0114%
August	2,240,000	21	12	106,667	0.0101%	0.0231%
September	1,250,000	22	13	56,818	0.0054%	0.0124%
October	1,930,000	18	13	107,222	0.0101%	0.0233%
November	1,270,000	21	15	60,476	0.0057%	0.0131%
December	2,970,000	22	13	135,000	0.0127%	0.0293%
2021						
January	9,400,000	20	11	470,000	0.0443%	0.1022%
February	1,300,000	18	9	72,222	0.0068%	0.0157%
March	1,020,000	23	13	44,348	0.0042%	0.0096%
April (Note 1)	530,000	17	10	31,176	0.0029%	0.0068%
April (Note 2)	17,900,000	2	0	8,950,000	0.8443%	1.9457%
May	13,290,000	16	3	830,625	0.0784%	0.1806%
First Review Period				117,857	0.0111%	0.0256%
Second Review Period				1,732,778	0.1635%	0.3767%

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

Note 1: Represent information from 1 April 2020 and up to 28 April 2021, being the Last Trading Day, as part of First Review Period.

Note 2: Represent information from 29 April 2021, being the day following the Last Trading Day, and up to 30 April 2021 as part of Second Review Period.

Note 3: Based on number of issued Shares as at the Latest Practicable Date.

Note 4: Based on 460,000,000 shares held by the Independent Shareholders (or public shareholders of the Company) as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the table above, the average daily trading volume of Shares during the First Review Period ranged from approximately 31,000 Shares (April 2021⁵) to approximately 470,000 Shares (January 2021), representing (i) less than 0.01% to approximately 0.04% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) less than 0.01% to approximately 0.1% of the total number of Shares held by Independent Shareholders as at the Latest Practicable Date. The average daily trading volume of Shares during the First Review Period of approximately 118,000 Shares was generally thin and not active, it is also noted that, during the First Review Period, there was a notable number of trading days without any trading of Shares based on published information.

The average daily trading volume of Shares during the Second Review Period ranged from approximately 831,000 Shares (May 2021⁶) to approximately 8,950,000 Shares (April 2021⁷), with an average daily trading volume of approximately 1,733,000 Shares, being significantly higher than that of the First Review Period, which may be attributable to the market reaction in response to the publication of the Joint Announcement as it was noted that the daily trading volume of the Shares on 29 April 2021, being the trading day immediately following the date of the Joint Announcement, amounted to in excess of 15 million Shares, being over 100 times of the average daily trading volume during the First Review Period and may or may not be sustainable beyond the Offer Period.

Given the thin historical average daily trading volume of Shares, in particular, during the First Review Period, it is uncertain that the overall liquidity of Shares could be maintained and that there would be sufficient liquidity in Shares for the Independent Shareholders to dispose of a significant number of Shares over a prolonged period in the open market without exerting downward pressure on the Share price. We, therefore, consider that the Offer provides the Independent Shareholders with an assured exit at the Offer Price if they wish to realise their investments in Shares.

In addition, it is noted that the closing share price during the Second Review Period has been volatile and that the closing share price as at the Latest Practicable Date of HK\$0.99 exceeded the Offer Price, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the 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 Offer.

⁵ represents information from 1 April 2020 and up to 28 April 2021, being the Last Trading Day, as part of the First Review Period.

⁶ represents information from 29 April 2021 to 30 April 2021, as part of the Second Review Period.

⁷ represents information from 1 May 2021 to 25 May 2021, being the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Comparable companies analysis

In assessing the fairness and reasonableness of the Offer Price, we have considered analysis on the price-to-earnings ratio, the price-to-book ratios (the “**P/B ratio(s)**”) and the price-to-sale ratios (the “**P/S ratio(s)**”) of companies which are listed on the Main Board of the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purposes. However, we noted that the Group recorded a loss for the year attributable to its owners for FY2020, thus we do not consider the price-to-earnings analysis to be appropriate. Given the capital-intensive nature of the Group’s principal business of trading and leasing of construction-related machineries, we have first considered the P/B ratio analysis, which is further supplemented by the P/S ratio analysis, being an indicator for evaluating the value of a subject company based on the size of its revenue, which is not an uncommon method to assess loss making companies. On this basis, we consider that the P/B ratio and P/S ratio are appropriate benchmarks to assess the fairness and reasonableness of the Offer.

Based on the net asset value attributable to owners of the Company of approximately HK\$126.8 million as at 31 December 2020, the revenue of the Group of approximately HK\$143.1 million for FY2020, and the total implied value of the Company under the Offer⁸, being approximately HK\$477.0 million, the implied P/B ratio (the “**Implied P/B Ratio**”) and the implied P/S ratio (the “**Implied P/S Ratio**”) of the Company under the Offer would be approximately 3.8 times and 3.3 times, respectively.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) engages in principal business similar to those of the Group namely, the trading and leasing of construction-related machinery contributed over 50% of its total revenue for the latest completed financial year; and (iii) revenue primarily generated in Hong Kong, the PRC and Singapore for its latest completed financial year⁹ (the “**Initial Criteria**”). However, based on the Initial Criteria, we have not identified any listed company which generates revenue from trading and leasing of construction-related machinery in Hong Kong, the PRC and Singapore for the latest completed financial year which are considered to be similar to the Group. As a result, with a view to identify suitable comparable companies from the Stock Exchange, we have expanded the Initial Criteria to include listed companies which generate revenue primarily in Hong Kong and/or the PRC and/or Singapore, while keeping the other aspects of the Initial Criteria the same (together the “**Final Criteria**”).

Based on the Final Criteria, we have identified, to the best of our knowledge, an exhaustive list of eight comparable companies (the “**Comparable Companies**”). The table below sets out the P/B ratio and equity attributable to its owners of each of the Comparable Companies and the Implied P/B Ratio of the Company under the Offer for comparison purposes.

⁸ On the basis of the Offer Price of HK\$0.45 per Offer Share and 1,060,000,000 Shares in issue as at the Latest Practicable Date, the implied value of the Company is calculated to be approximately HK\$477.0 million.

⁹ For information purposes, according to the 2020 Annual Report, revenue generated from Hong Kong, Singapore and the PRC represents approximately 29.2%, 37.1% and 33.7% of the total revenue of the Group during the year ended 31 December 2020, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company name (stock code)	Principal business	Main geographical source of income	Market capitalisation <i>(approximately)</i> <i>HK\$' million</i> <i>(Note 1)</i>	Equity attributable to its owners <i>(approximately)</i> <i>HK\$' million</i> <i>(Note 3)</i>	P/B ratio <i>(approximately)</i> <i>(Note 2)</i>	P/S ratio <i>(approximately)</i>
1	Leeport (Holdings) Limited (387)	Trading and installation of mechanical equipment businesses	The PRC, Hong Kong	241.6	466.5	0.5	0.4
2	D&G Technology Holding Company Limited (1301) ("D&G Technology")	Research and development, manufacturing and distribution of asphalt mixing plants	The PRC	767.3	770.2 <i>(Note 3)</i>	1.0	1.7
3	AP Rentals Holdings Limited (1496) ("AP Rentals")	Provision of equipment rental service	Hong Kong	150.3	215.3	0.7	1.0
4	Yuk Wing Group Holdings Limited (1536) ("Yuk Wing")	Manufacturing and trading of rockdrilling and piling and drilling equipment and machineries	Hong Kong	82.1	159.1	0.5	0.5
5	CRCC High-Tech Equipment Corporation Limited (1786) ("CRCC")	Research, development, manufacture and sales of large railway track maintenance machines	The PRC	1,413.5 <i>(Note 4)</i>	6,487.5 <i>(Note 3)</i>	0.2	0.8
6	Tak Lee Machinery Holdings Limited (2102)	Selling and leasing of heavy equipment	Hong Kong	255.0	422.9	0.6	0.4
7	Tat Hong Equipment Service Co Ltd. (2153) ("Tat Hong")	Provision of tower crane service	The PRC	1,808.7	1,281.8 <i>(Note 3)</i>	1.4	2.0
8	China PengFei Group Limited (3348) ("China PengFei")	Production and sale of complete sets of equipment, construction of production line and provision of installation services	The PRC	515.0	768.0 <i>(Note 3)</i>	0.7	0.3
					Average	0.7	0.9
					Maximum	1.4	2.0
					Minimum	0.2	0.3
					The Company		
					Implied P/B Ratio and Implied P/S ratio	3.8 <i>(Note 1)</i>	3.3 <i>(Note 1)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Source: the website of the Stock Exchange and the respective interim/annual report of the listed company

Note 1: In respect of the Comparable Companies, market capitalisation is calculated based on the respective closing price as quoted on the Stock Exchange and the number of issued shares based on published information as at the Latest Practicable Date. In respect of the Company, implied market capitalisation is calculated based on the Offer Price of HK\$0.45 and 1,060,000,000 Shares in issue as at the Latest Practicable Date.

Note 2: Calculated by dividing the respective market capitalisation by the respective consolidated equity attributable to its owners, as extracted from the latest published financial statements or prospectus as at the Latest Practicable Date.

Note 3: As set out in the latest published financial statements of D&G Technology, CRCC, China PengFei and the prospectus of Tat Hong, the figures in the financial statements were expressed in RMB. For illustration purpose, an exchange rate of RMB1.00 = HK\$1.19 is used to convert RMB to Hong Kong Dollars.

Note 4: As set out in the latest published financial statements of CRCC, the total issued share capital was 1,519,884,000 shares, of which 531,900,000 shares were H shares listed on the Stock Exchange. For the purpose of P/B ratio analysis, the market capitalisation of CRCC was calculated based on the total issued share capital of CRCC.

(i) Analysis on P/B ratio

It is noted from the above table that the P/B ratios of the Comparable Companies ranged from approximately 0.2 times (CRCC) to 1.4 times (Tat Hong), with an average of approximately 0.7 times. Based on their respective latest published financial statements or prospectus, the equity attributable to its owners recorded by the Comparable Companies ranged from approximately HK\$159.1 million (Yuk Wing) to approximately HK\$6,487.5 million (CRCC). The Implied P/B Ratio of the Company as represented by the Offer Price of approximately 3.8 times, which exceeded the top range of the P/B ratio of the Comparable Companies.

For further analysis, we have also compared the Implied P/B Ratio of the Company of approximately 3.8 times against the Company's historical P/B Ratio as at 31 December 2019, 30 June 2020 and 31 December 2020, being approximately 3.0 times, 5.2 times and 3.6 times, respectively. It was noted that the closing Share prices have consistently been above the Group's equity attributable to owners balance at the relevant time. Furthermore, the Implied P/B Ratio is within range and near the average of the Company's historical P/B ratios as set out above, which supports that the Implied P/B Ratio is broadly in line with the abovementioned historical trading P/B ratio of the Company.

Notwithstanding that we considered the Comparable Companies as a whole to be an appropriate benchmark for the purpose of assessing the fairness and reasonableness of the Offer Price, given (i) the Comparable Companies varied in size in terms of market capitalisation and equity attributable to its owners; and (ii) P/S ratio is an indicator for evaluating the value of a subject company based on the size of its revenue which is not an uncommon method to assess loss making companies, we have conducted additional analysis on the P/S ratios with a view to further assess the fair and reasonableness of the Offer Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Analysis on P/S ratio

It is noted from the above table that the P/S ratios of the Comparable Companies ranged from approximately 0.3 times (China PengFei) to 2.0 times (AP Rentals), with an average of approximately 0.9 times. Based on their respective latest published financial statements or prospectus, the revenue recorded by the Comparable Companies for the latest complete financial year ranged from approximately HK\$145.8 million (AP Rentals) to approximately HK\$1,873.6 million (China PengFei). The Implied P/S Ratio of the Company as represented by the Offer Price of approximately 3.3 times, is above the range of P/S ratio of the Comparable Companies.

(iii) Summary

Notwithstanding the Offer Price is at a discount to the average closing prices of Shares during the Review Period, having considered that (a) the Offer Price falls within the range of closing price of Shares during the Review Period; (b) historical trading volume of the Shares is relatively thin, in particular, during the First Review Period; (c) the Implied P/B ratio, calculated based on the Offer Price, exceeded the top range of the P/B ratio of the Comparable Companies; (d) the Implied P/S Ratio is above the range of the P/S ratio of the Comparable Companies; and (e) the Company has recorded a loss for the year attributable to its owners for each of the past five financial years ended 31 December 2016, 2017, 2018, 2019 and 2020, which ranged from approximately HK\$32.2 million (FY2019) to approximately HK\$131.9 million (FY2020), we consider the Offer Price under the Offer to be fair and reasonable so far as the Independent Shareholders are concerned.

5. Information on the Offeror and the intention of the Offeror in relation to the Group

The following information of the intention of the Offeror regarding the Group has been extracted from the "Letter from Kaisa Financial".

(a) Information of the Offeror

As stated in the "Letter from Kaisa Financial" contained in the Composite Document, the Offeror was incorporated in the BVI with limited liability. The Offeror is an investment holding company. The Offeror is a wholly-owned subsidiary of Kaisa Group.

Kaisa Group is a large-scale integrated property developer. The shares of Kaisa Group began trading on the Main Board of the Stock Exchange on 9 December 2009. As a pioneer in the property market of the Guangdong-Hong Kong-Macao Greater Bay Area, Kaisa Group has anticipated China's national development strategy and proactively undertaken comprehensive property development, urban redevelopment, operation of commercial properties, hotel management and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

property management. Its products comprise of residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes.

Having established its home base in Shenzhen, Kaisa Group has been expanding its presence in the Greater Bay Area over the years. With footholds in Shenzhen, Guangzhou, Huizhou, Zhuhai, Foshan, Dongguan and Zhongshan, Kaisa Group's businesses also cover the economically vibrant cities in regions such as the Yangtze River Delta, western and central parts of China and the pan-Bohai Rim. As at 31 December 2020, Kaisa Group's land bank in the Greater Bay Area totaled approximately 15.9 million sq.m., or approximately 55% of its total land bank. By virtue of its rich experience in urban redevelopment, Kaisa Group has secured many high-quality urban redevelopment projects in the Greater Bay Area, mainly in such cities as Shenzhen, Guangzhou and Zhongshan, which would lay a solid foundation for Kaisa Group's future development.

Kaisa Group is committed to the core values of "professionalism, innovation, value creation and responsibility" and manifests them by participating actively in a wide range of urban development projects in China. In recent years, Kaisa Group has also capitalized on a series of government policies on national development by diversifying into the fields of cultural activities and sports, health care and technology industry, aiming to achieve synergy between the various businesses. Kaisa Group has built such a good reputation that the "Kaisa" brand is itself guarantee of quality properties and good services. According to the "2020 Top 200 Chinese Property Developers" published by China Real Estate Information Corporation (CRIC), a leading provider of real estate information, consulting, advertising and online services with a presence in over 50 cities across China, the Kaisa Group ranked 24th in terms of attributable contracted sales value and was awarded as "Top 40 Honored Enterprises of the 40th Anniversary of Shenzhen Special Economic Zone" by Securities Times for its efforts in serving Shenzhen's development. Kaisa Group's development will inject more creative energy into China's urbanisation.

(b) Intention of the Offeror in relation to the Group

As disclosed in the "Letter from Kaisa Financial", the directors of Kaisa Group believe that the Acquisition and the Offer are complementary to each of the Company and Kaisa Group, and their respective subsidiaries. The directors of Kaisa Group also believe that upon completion of the Acquisition and the Offer, synergies and chemistries will be created between the respective businesses of the Company and Kaisa Group through the crossover of the products and services being offered and delivered by the Company and Kaisa Group respectively in Hong Kong and the PRC. Kaisa Group may engage members of the Group as subcontractors of Kaisa Group for the leasing of the Group's construction machinery and for the provision of repair and maintenance services in respect of the construction machinery for the construction sites of Kaisa Group in Hong Kong and the PRC from time to time, thereby facilitating the development and expansion of both of their businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, (i) the Offeror has no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of, acquire or redeploy the assets of the Group other than those in its ordinary course of business or acquire new businesses; (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group; and (iv) no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

It is noted that the Offeror's intention and future development strategies for the Group has been set out under "Letter from Kaisa Financial", in particular, Kaisa Group may engage members of the Group as subcontractors of Kaisa Group for the leasing of the Group's construction machinery and for the provision of repair and maintenance services in respect of the construction machinery for the construction sites of Kaisa Group in Hong Kong and the PRC from time to time, such may present new business opportunities to the Group in the future.

However, given there are no detailed information on these business opportunities presented in the Composite Document, the timing and scale of these business opportunities are uncertain at this stage. If and when such business opportunities materialised, it is currently uncertain on whether and how such would impact the price of Shares at the relevant time. As different Shareholders may have different investment objectives and/or circumstances, in the event that Shareholders decide not to accept the Offer and maintain their shareholding in the Company, in whole or in part, they are reminded to closely monitor the continuous development of the Group after the close of the Offer.

(c) Proposed change to the Board composition

The Board is currently made up of six directors, comprising three executive Directors and three independent non-executive Directors. The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code (such date being the date of despatch of this Composite Document). Any changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

(d) Public float and maintaining the listing status of the Company

The directors of the Offeror and the new Directors of the Company to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. The Offeror intends the Company to remain listed on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular that:

- (i) the Offer Price falls within range of the highest and lowest closing price of Shares during the First Review Period and represents (a) a discount of approximately 37.5% to the highest closing price of Shares during the First Review Period; (b) a premium of approximately 18.4% over the lowest closing price of Shares during the First Review Period; and (c) a discount of approximately 15.2% to the average daily closing price of Shares during the First Review Period;
- (ii) the Offer Price of HK\$0.45 represents a premium of approximately 276.3% to the net asset value attributable to the Shareholders per Share of approximately HK\$0.1196 as at 31 December 2020;
- (iii) the Implied P/B Ratio under the Offer of approximately 3.8 times exceeded the top range of the P/B ratio of the Comparable Companies, being from approximately 0.2 times to approximately 1.4 times;
- (iv) the Implied P/S Ratio under the Offer of approximately 3.3 times is above the top range of the P/S ratio of the Comparable Companies, being from approximately 0.3 times to approximately 2.0 times;
- (v) the Independent Shareholders shall also consider and monitor the trading volume of Shares during the Offer Period given the thin historical trading volume of the Shares on the Stock Exchange as discussed under the section headed "3. Liquidity of Shares" in this letter, they may experience difficulty in disposing significant number of their Shares in the open market without creating downward pressure on the price of Shares and that there is no assurance on whether the Share price and liquidity can maintain at the prevailing level beyond the Offer Period. The Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in Shares; and
- (vi) our analysis on the historical financial performance and position of the Group as set out under paragraph headed "1. Financial information of the Group and outlook" as well as the intention of the Offeror to continue with the Group's existing principal business activities, which recorded a loss attributable to its owners, inclusive of both continuing and discontinuing operations, for each of the five years ended 31 December 2016, 2017, 2018, 2019 and 2020. It is also noted that while maintaining the listing status of the Company on the Main Board of the Stock Exchange, as at the Latest Practicable Date, the Offeror had no definitive plan, and had not entered into any agreement, arrangement, understandings or negotiation, on any acquisition or injection of any assets or businesses by or into the Group,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we are of the opinion that terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. However, in view of the recent volatility of the closing share price during the Second Review Period, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the 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 Offer. On this basis, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Offer if the amount they can receive under the Offer is higher than the net proceeds from the sale of such Shares in the open market.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Offer and/or 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 Offer as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in the corporate finance industry.

** for identification purposes only*

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (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 Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of the Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "**Eagle Legend Asia Limited — Offer**" as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (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 Offer in respect of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of the Shares for which you intend to accept the Offer with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**Eagle Legend Asia Limited — Offer**" the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of the Shares for which you intend to accept the Offer to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Eagle Legend Asia Limited — Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of the Shares for which you intend to accept the Offer to the Registrar; or
 - (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 authorise HKSCC Nominees Limited to accept the Offer on your behalf in respect of the number of the Shares for which you intend to accept the Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed, signed and delivered in an envelope marked “**Eagle Legend Asia Limited — Offer**” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.

- (d) If you have lodged transfer of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked “**Eagle Legend Asia Limited — Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Kaisa Financial and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code) and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer and, if that/those share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller’s ad valorem stamp duty for transfer of the Shares registered in the seller’s name by the Company through the Registrar arising in connection with acceptance of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount

payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any Form of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offer, the Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next closing date or, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice by way of announcement will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. ANNOUNCEMENTS

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired. Such announcement must state the following:
- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the Offer Period;
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold; and
 - (v) the percentages of the relevant classes of issued share capital of the Company, and the percentages of voting rights, represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.elasialtd.com>).

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed "3. Announcements" above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. The Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including 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 in respect of such jurisdiction). The Offeror, the Company, their respective ultimate beneficial owners, parties acting in concert with the Offeror, Kaisa Financial, Rainbow Capital, Red Sun, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty by such Overseas Shareholder to the Offeror that such person is permitted under all applicable laws and regulations to receive and accept the 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 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 accepting the Offer. It is emphasised that none of the Offeror, parties acting in concert with the Offeror, the Company, their respective ultimate beneficial owners, Kaisa Financial, Rainbow Capital, Red Sun, the Registrar or any of their respective directors, officers, advisers, agents, associates or any other person involved in the 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 Offer.

8. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and their respective ultimate beneficial owners and parties acting in concert with them, Kaisa Financial, Rainbow Capital, Red Sun, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Kaisa Financial that the Shares tendered under the Offer are sold or tendered by such Independent Shareholder(s) free from all encumbrances and together with all rights and benefits attached thereto, including all rights to any dividends or other distribution declared, made or paid on or after the date on which the Offer is made.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Kaisa Financial and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) References to the Offer in this Composite Document and in the Form(s) of the Acceptance shall include any extension and/or revision thereof.
- (j) The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.
- (k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with it, Kaisa Financial, Rainbow Capital, Red Sun, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.

9. NOMINEE REGISTRATION

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

1.1 Set out below is a summary of the audited consolidated financial results of the Group for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively, as extracted from the relevant published financial statements of the Group.

	For the year ended 31 December		
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000 (restated)
Continuing operations			
Revenue	143,061	124,473	108,277
Cost of sales and services	(76,193)	(70,682)	(60,882)
Gross profit	66,868	53,791	47,395
Other income and gains	5,829	1,410	5,563
Selling and distribution expenses	(1,690)	(2,851)	(2,729)
Administrative expenses	(61,994)	(52,505)	(56,285)
Other operating expenses	(53,713)	(42,741)	(38,058)
Finance costs	(17,789)	(22,022)	(37,766)
Loss before income tax	(62,489)	(64,918)	(81,880)
Income tax expense	(550)	(567)	1,833
Loss for the year from continuing operations	(63,039)	(65,485)	(80,047)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	(1,234)	81,785	91,686
Loss on disposal of subsidiaries	(68,272)	–	–
(Loss)/profit for the year	(132,545)	16,300	11,639
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations	(62,999)	(65,442)	(80,078)
– Discontinued operations	(68,901)	33,269	37,406
Loss for the year attributable to owners of the Company	(131,900)	(32,173)	(42,672)
Basic and diluted (HK cents)			
– Loss per share from continuing operations	(5.94)	(6.17)	(7.55)
– (Loss)/earnings per share from discontinued operations	(6.50)	3.13	3.52
Total loss per share	(12.44)	(3.04)	(4.03)

For the years ended 31 December 2018, 2019 and 2020, no dividend had been declared by the Group. Save as disclosed above, the Group did not have any item of any income or expense which was material during each of the years ended 31 December 2018, 2019 or 2020. As at the Latest Practicable Date, the Company had no intention to make, declare or pay any future dividend/distribution before the close of the Offer.

The auditors of the Company, Grant Thornton Hong Kong Limited (“**Grant Thornton**”), did not express an opinion on the consolidated financial statements of the Group for the two years ended 31 December 2019 and 2020, due to:

- (a) a limitation in the scope of the audit relating to the profit from Best Earnest Investments Limited (佳誠投資有限公司) (“**Best Earnest**”) and its subsidiaries (the “**Best Earnest Group**”) of approximately HK\$81,785,000 for the year ended 31 December 2019, assets classified as held for sale of approximately HK\$578,424,000 and liabilities associated with assets classified as held for sale of approximately HK\$30,795,000 as at 31 December 2019 and the related disclosures, as the Group was not allowed to get access to complete sets of accounting records of Guangdong Dahe Biological Technologies Limited* (廣東大合生物科技股份有限公司) (“**Guangdong Dahe**”), a 80% owned subsidiary of Best Earnest, due to the dispute between the Group and the non-controlling shareholders of Guangdong Dahe. As at 31 December 2019, the Group held 51% equity interest in Best Earnest and the Best Earnest Group was classified as a disposal group held for sale and as a discontinued operations. On 24 June 2020, the Group disposed 51% equity interest of Best Earnest to a purchaser, who is one of the shareholders of Best Earnest and the Company;
- (b) the unavailability of sufficient appropriate audit evidence to ascertain the existence, accuracy, presentation and completeness of balances of the biological assets of approximately HK\$6,052,000, property, plant and equipment of approximately HK\$229,743,000, inventories and consumables of approximately HK\$75,338,000, prepayments, deposits and other receivables of approximately HK\$2,087,000, cash and cash equivalents of approximately HK\$105,044,000, trade payables of approximately HK\$5,224,000, and receipt in advance, accruals and other payables of approximately HK\$7,388,000 and deferred government grant of approximately HK\$8,829,000 of the Best Earnest Group as at 31 December 2018 and its result for the year ended 31 December 2018 that were audited by the predecessor auditor, due to the dispute between the Group and the non-controlling shareholders of Guangdong Dahe; and
- (c) the unavailability of sufficient appropriate audit evidence to ascertain whether the loss on disposal of the Best Earnest Group of approximately HK\$68,272,000 and the loss for the period from 1 January 2020 to 24 June 2020 from discontinued operations of approximately HK\$1,234,000 were fairly stated, as a result of the limitation in scope as described above.

* For identification purpose only

As a result of the above, Grant Thornton was unable to determine whether any adjustments were necessary in respect of the Group's net assets as at 31 December 2018 and 2019 and the results and cash flows for the two years ended 31 December 2018 and 2019. Any adjustments that might have been found necessary may have a consequential effect on the Group's assets and liabilities as at 1 January 2020, accumulated losses as at 1 January 2020 and its results for the year ended 31 December 2020. Details of the basis for the disclaimer of opinion are set out in the annual reports of the Company for the two years ended 31 December 2019 and 2020.

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 has been restated by Grant Thornton in order to disclose the discontinued operations separately from continuing operations.

The auditor's reports issued by BDO Limited in respect of the Group's audited consolidated financial statements for the year ended 31 December 2018 did not contain any qualified or modified opinion (including emphasis of matter, adverse opinion, disclaimer of opinion, and material uncertainty related to going concern).

2. CONSOLIDATED FINANCIAL STATEMENTS

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, any other primary statement and significant accounting policies as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Financial Statements**"; and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**2018 Financial Statements**"), and, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information. The 2020 Financial Statements are set out on pages 64 to 164 of the annual report of the Company for the year ended 31 December 2020, which was published on 20 April 2021. The annual report of the Company for the year ended 31 December 2020 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000381.pdf>

The 2019 Financial Statements are set out on pages 61 to 164 of the annual report of the Company for the year ended 31 December 2019, which was published on 20 April 2020. The annual report of the Company for the year ended 31 December 2019 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000552.pdf>

The 2018 Financial Statements are set out on pages 60 to 162 of the annual report of the Company for the year ended 31 December 2018, which was published on 16 April 2019.

The annual report of the Company for the year ended 31 December 2018 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0416/ltn20190416401.pdf>

The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements (but not any other part of the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Composite Document, the Group had outstanding indebtedness comprising secured borrowings amounting to approximately HK\$89,040,000, lease liabilities amounting to approximately HK\$81,956,000, amount due to a related company amounting to approximately HK\$10,000,000 and shareholder loans amounting to approximately HK\$83,000,000.

The outstanding secured borrowings were guaranteed and secured by properties, land use rights and machineries owned by subsidiaries of the Group. Leases liabilities of approximately HK\$32,950,000 are secured by the leased assets. Lease liabilities amounting to approximately HK\$27,211,000 are guaranteed.

Shareholder loans and amount due to a related party are unsecured and unguaranteed.

The Group had total capital commitments of approximately HK\$55,923,000 related to the acquisitions of property, plant and equipment and property development activities.

Save as aforesaid or otherwise disclosed herein, and apart from the intra-group liabilities, the Directors confirm that, the Group did not, as at the close of business on 31 March 2021, have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, term loans, other borrowings, bank overdraft, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

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 2020, (being 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 the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors 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

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$2,000,000,000 divided into 200,000,000,000 Shares of HK\$0.01 each, of which 1,060,000,000 Shares had been issued and were fully paid or credited as fully paid. All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to capital, dividends and voting.

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

The Company has not issued any Shares since 31 December 2020, the date to which the latest audited financial statements of the Company were made up.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing Price (HK\$)
30 October 2020	0.465
30 November 2020	0.440
31 December 2020	0.430
29 January 2021	0.450
26 February 2021	0.520
31 March 2021	0.550
28 April 2021 (i.e. the Last Trading Day)	0.570
30 April 2021	0.860
Latest Practicable Date	0.990

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange were HK\$1.19 per Share on 4 May 2021 and HK\$0.38 per Share on 13, 14 and 15 January 2021 respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's 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 the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying the Shares and debentures of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Nature of interests/ Holding capacity	Number of Shares held	Approximate percentage of issued share capital of the Company (Note 1)
Offeror	Beneficial owner and a concert party to an agreement	600,000,000 (Note 4)	56.60%
Kaisa Group	Interest of controlled corporation	600,000,000 (Notes 2 and 4)	56.60%
Excel Range	Beneficial owner and a concert party to an agreement	600,000,000 (Note 4)	56.60%
Ms. Kwok Hiu Ting	Interest of controlled corporation	600,000,000 (Notes 3 and 4)	56.60%
Ms. Kwok Hiu Yan	Interest of controlled corporation	600,000,000 (Notes 3 and 4)	56.60%
Ms. Kwok Ho Lai	Interest of controlled corporation	600,000,000 (Notes 3 and 4)	56.60%
Mr. He Xiaoyang	Beneficial owner	100,000,000	9.43%

Notes:

- The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at the Latest Practicable Date.
- These Shares were registered in the name of the Offeror which was wholly and beneficially owned by Kaisa Group. Kaisa Group is deemed to be interested through the interest of controlled corporation.
- Ms. Kwok Hiu Ting, Ms. Kwok Hiu Yan and Ms. Kwok Ho Lai are deemed to be interested through the interest of controlled corporation, Excel Range, as each of them holds one-third of the issued share capital of Excel Range.

4. Excel Range entered into the Acting in Concert Undertaking in favour of the Offeror, a wholly-owned subsidiary of Kaisa Group dated 28 April 2021 pursuant to which Excel Range irrevocably and unconditionally undertook to the Offeror, among other things, that it will act in concert with the Offeror with respect to the Company. The Acting in Concert Undertaking took effect on 29 April 2021.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES

- (a) During the Relevant Period and up to the Latest Practicable Date,
 - (i) 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; and
 - (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;
- (b) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were 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 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 Director 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) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (f) none of the Directors beneficially owned any Shares and accordingly none of them is entitled to the Offer; and
- (g) 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.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

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

7. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. 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 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:

the agreement dated 24 February 2020 entered into by and between Lucky Boom Investments Limited, a wholly-owned subsidiary of the Company, and Mr. He Xiaoyang in relation to the sale and purchase of 51% of the issued share capital of the Best Earnest for a total consideration of HK\$230,000,000.

9. 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.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts who have given its letter or advice which is contained in this Composite Document:

Name	Qualification
Red Sun	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Red Sun has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter or advice and references to its name included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date, Red Sun, being the Independent Financial Adviser, did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. GENERAL

- (a) The company secretary of the Company is Ms. Poon Yuk Ching Ada, who is an associate of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.
- (b) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (c) The head office and principal place of business in Hong Kong of the Company is at Unit 3610, 36/F., The Center, 99 Queen's Road Central, Central, Hong Kong.
- (d) The Company's principal share registrar and transfer agent in the Cayman Islands is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (e) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The registered office of Red Sun, the Independent Financial Adviser, is at Room 3303, 33/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (g) The English texts of this Composite Documents and the Form of Acceptance shall prevail over the Chinese texts, in case of an inconsistency.

12. 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 Unit 3610, 36/F., The Center, 99 Queen's Road Central, Central, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.elasialtd.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 Company;
- (b) the annual reports of the Group for each of the three years ended 31 December 2018, 2019 and 2020, respectively;
- (c) the letter from the Board, the text of which is set out on pages 18 to 22 of this Composite Document;

- (d) the letter from the Independent Board Committee, the text of this is set out on pages 23 to 24 of this Composite Document;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 48 of this Composite Document;
- (f) the material contract referred to in the paragraph headed “Material Contracts” in this Appendix;
- (g) the letter of consent referred to in the paragraph headed “10. Qualification and Consent of Expert” in this Appendix; and
- (h) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror and the directors of Kaisa Group jointly and severally accept 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 their knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DEALINGS AND INTERESTS IN SECURITIES OF THE COMPANY

As at the Latest Practicable Date, save for the Sale Shares, representing approximately 30.60% of the entire issued share capital of the Company, acquired by the Offeror under the Agreement, the Offeror did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Excel Range, which has signed the Acting In Concert Undertaking and is a party acting in concert with the Offeror, held 275,600,000 Shares, representing 26% of the entire issued share capital of the Company.

Save for the aforesaid, the Offeror confirms that, as at the Latest Practicable Date:

- (a) none of the Offeror and Excel Range, their respective directors or any person acting in concert with any of them (including Kaisa Group) owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) none of the Offeror nor any person acting in concert with it (including Kaisa Group and Excel Range) had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the 6 months prior to the date of the Joint Announcement and the commencement date of the Offer Period;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (d) there is no agreement or arrangement to which the Offeror or any person acting in concert with it (including Kaisa Group and Excel Range), is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

- (e) none of the Offeror nor any person acting in concert with it (including Kaisa Group and Excel Range) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (g) none of the Offeror nor any person acting in concert with it (including Kaisa Group and Excel Range) had received any irrevocable commitment to accept the Offer;
- (h) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and parties acting in concert with it and any other person;
- (i) there was no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, nor any person acting in concert with it (including Kaisa Group and Excel Range);
- (j) other than the Consideration, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it (including Kaisa Group and Excel Range) to the Vendor or any party acting in concert with it in connection with the sale and purchase of the Sale Shares under the Agreement;
- (k) there was no understanding, arrangement, or special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor and any parties acting in concert with it on the one hand, and the Offeror or any parties acting in concert with it (including Kaisa Group and Excel Range) on the other hand;
- (l) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it (including Kaisa Group and Excel Range) or (ii)(b) the Company, its subsidiaries or associated companies; and
- (m) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Offer.

3. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

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

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the 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 principal members of the Offeror's concert parties are the Offeror, Excel Range and Kaisa Group;
- (b) the directors of the Offeror are Mr. Mai Fan and Ms. Lee Kin Ping Gigi;
- (c) the registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror and Mr. Kwok Ying Shing, is 30/F, The Center, 99 Queen's Road, Central, Hong Kong;
- (d) the Offeror is a wholly owned subsidiary of Kaisa Group as at the Latest Practicable Date;
- (e) the executive directors of Kaisa Group are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Mai Fan, Mr. Kwok Hiu Kwan and Mr. Li Haiming; the non-executive director of Kaisa Group is Ms. Chen Shaohuan; and the independent non-executive directors of Kaisa Group are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng;
- (f) as at the Latest Practicable Date, the ultimate controlling shareholder of Kaisa Group is Mr. Kwok Ying Shing as he is interested in 1,773,569,738 shares in Kaisa Group, representing approximately 25.29% of the issued share capital of Kaisa Group of which: (i) 809,181,003 shares in Kaisa Group were held by Da Chang Investment Company Limited, a company wholly owned by Mr. Kwok Ying Shing, representing approximately 11.54% of the issued share capital of Kaisa Group; and (ii) 964,388,735 shares in Kaisa Group were held by Da Feng Investment Company Limited, representing approximately 13.75% of the

issued share capital of Kaisa Group, which is in turn wholly owned by Xingsheng Asia Limited. Xingsheng Asia Limited is wholly owned by Hongyi Asia Limited. Hongyi Asia Limited is wholly owned by Junjia Enterprises Corporation, which is in turn wholly owned by Bank of East Asia (Trustees) Limited (“**BEA Trustees**”). BEA Trustees is the trustee of 964,388,736 shares in Kaisa Group under a family trust of which Mr. Kwok Ying Shing is the founder of the trust;

- (g) the registered office of Kaisa Group is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is at 30/F, The Center, 99 Queen’s Road, Central, Hong Kong;
- (h) the directors of Excel Range are Ms. Kwok Hiu Ting, Ms. Kwok Hiu Yan and Ms. Kwok Ho Lai;
- (i) Excel Range is held as to 33.3% by each of Ms. Kwok Hiu Ting, Ms. Kwok Hiu Yan and Ms. Kwok Ho Lai, each a daughter of Mr. Kwok Ying Shing and a sister of Mr. Kwok Hiu Kwan (an executive director of Kaisa Group) as at the Latest Practicable Date;
- (j) the registered office of Excel Range is at 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG 1110. The correspondence address of Excel Range is at 22/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong;
- (k) the registered office of Kaisa Financial is 30/F, The Center, 99 Queen’s Road Central, Central, Hong Kong;
- (l) the principal place of business of Rainbow Capital is at Room 5B, 12/F, Tung Ning Building, No. 2 Hillier Street, Sheung Wan, Hong Kong; and
- (m) 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 “Documents available for inspection” of Appendix III to this Composite Document, copies of the following documents are 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 Offeror in Hong Kong at 30/F, The Center, 99 Queen’s Road Central, Central, Hong Kong; (ii) on the website of the SFC at www.sfc.hk; and (iii) on the Company’s website at <http://www.elasialtd.com> during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from Kaisa Financial, the text of which is set out on pages 8 to 17 of this Composite Document; and
- (c) the letters of consent referred to under the paragraph headed “3. EXPERTS AND CONSENTS” in this Appendix.