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If you are in any doubt as to any aspect about this Response Document 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 **China Longevity Group Company Limited**, you should at once hand this Response Document together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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CHINA LONGEVITY GROUP COMPANY LIMITED

中國龍天集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

**RESPONSE DOCUMENT RELATING TO THE
CONDITIONAL VOLUNTARY CASH PARTIAL OFFER BY
SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF
ALTERNATIVE LIQUIDITY INDEX, LP
TO ACQUIRE A MAXIMUM OF 85,261,250 SHARES IN
CHINA LONGEVITY GROUP COMPANY LIMITED**

**Joint Independent Financial Advisers to
the Independent Board Committee**



**建泉融資有限公司
VBG Capital Limited**

Capitalised terms used in this cover shall have the same meanings as those defined in this Response Document, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 14 of this Response Document. A letter from the Independent Board Committee containing its recommendation in respect of the Partial Offer is set out on pages 15 to 16 of this Response Document. A letter from the Joint Independent Financial Advisers containing its recommendation to the Independent Board Committee in respect of the Partial Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 17 to 43 of this Response Document.

25 March 2025

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EXPECTED TIMETABLE

The timetable reproduced below is extracted from the Offer Document and the announcement of the Offeror dated 11 March 2025 in relation to the revised timetable, with appropriate changes as to certain defined terms. The timetable is indicative only and is subject to change. Any change to the timetable below will be announced by the Offeror. Unless otherwise expressly stated, all time and date references in the timetable below refer to Hong Kong time and dates.

Despatch date of the Offer Document and the accompanying Form
of Acceptance and commencement date of the Partial Offer
(Note 1) Tuesday, 11 March 2025

Latest time for posting of the Response Document (Note 2) Tuesday, 25 March 2025

Ching Ming Festival (public holiday in Hong Kong) Friday, 4 April 2025

Latest time and date for acceptance of the Partial Offer
on the First Closing Date (Note 3) 4:00 p.m. on
Tuesday, 8 April 2025

Announcement of the results of the Partial Offer
as at the First Closing Date (or its extension or revision,
if any), to be posted on the website of the Stock Exchange by 7:00 p.m. on
Tuesday, 8 April 2025

Good Friday (public holiday in Hong Kong) Friday, 18 April 2025

Easter Monday (public holiday in Hong Kong) Monday, 21 April 2025

Latest time and date for acceptance of the Partial Offer
assuming the Partial Offer becomes or is declared unconditional
on the First Closing Date (i.e. the Final Closing Date) (Note 4) 4:00 p.m. on
Tuesday, 22 April 2025

Announcement of the results of the Partial Offer
as at the Final Closing Date to be posted on the website
of the Stock Exchange (Note 5) by 7:00 p.m. on
Tuesday, 22 April 2025

Designated agent starts to stand in the market to provide
matching services for sale and purchase of odd lots holdings
of Shares (assuming that the Partial Offer becomes or is
declared unconditional as to acceptances on the First Closing Date) 9:00 a.m. on
Wednesday, 23 April 2025

Labour Day (public holiday in Hong Kong) Thursday, 1 May 2025

EXPECTED TIMETABLE

Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Partial Offer on the Final Closing Date (*Note 6*) Friday, 2 May 2025

Latest date for despatch of share certificate(s) and/or any transfer receipt(s) and other document(s) of title for Shares tendered but not taken up or share certificate(s) in respect of the balance of such Shares (assuming that the Partial Offer becomes or is declared unconditional as to acceptances on the First Closing Date) Friday, 2 May 2025

Designated agent ceases to stand in the market to provide matching services for sale and purchase of odd lots holdings of Shares (assuming that the Partial Offer becomes or is declared unconditional as to acceptances on the First Closing Date) Wednesday, 4 June 2025

Notes:

1. The Partial Offer is open for acceptance on and from Tuesday, 11 March 2025, being the date of posting of the Offer Document, until 4:00 p.m. on the Closing Date, i.e. 8 April 2025, or such later time and/or date as permitted by the Executive.
2. In accordance with the Takeovers Code, the Company is required to post the Response Document to the Shareholders no later than 14 days after the date of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the First Closing Date by the number of days in respect of which the delay in the posting of the Response Document is agreed.
3. In accordance with the Takeovers Code, where the Response Document is posted after the date of the Offer Document, the Partial Offer must be open for acceptance for at least 28 days after the date of the Offer Document. The Offeror may extend the Partial Offer only with the permission of the Executive. In the event that valid acceptances are received for less than the required number of 8,526,125 Offer Shares by the First Closing Date, the Partial Offer will not proceed and will lapse immediately unless the First Closing Date is extended by the Offeror with the permission of the Executive. The Offeror will issue an announcement in relation to any revision or extension of the Partial Offer, which will state the next Closing Date.
4. The Offeror may only extend the Partial Offer with the permission of the Executive, subject thereto, pursuant to Rule 28.4 of the Takeovers Code: (a) if on a Closing Date acceptances received equal or exceed the minimum number of 8,526,125 Shares stated in the section headed “Condition to the Partial Offer” in the “Letter from Somerley Capital” in the Offer Document, the Offeror must declare the Partial Offer unconditional as to acceptances and extend the Final Closing Date to the 14th day thereafter and the Offeror cannot further extend the Final Closing Date; (b) if the acceptance condition is fulfilled during the period between the Despatch Date and the date which is 14 days before the First Closing Date, the Offeror must declare the Partial Offer unconditional as to acceptances on the day the acceptance condition is met, provided that the Partial Offer would remain open for acceptance for not less than 14 days thereafter, and the Offeror cannot extend the First Closing Date and the Final Closing Date would be on (but no earlier than) the First Closing Date; or (c) if the acceptance condition is fulfilled within the 14-days period before the First Closing Date, the Partial Offer would remain open for acceptance for 14 days after the Partial Offer is declared unconditional as to acceptance (i.e. the Final Closing Date). The Offeror will make an announcement when the Partial Offer becomes unconditional in all respects.

EXPECTED TIMETABLE

5. The announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, among other things, the results of the Partial Offer and details of the way in which the pro rata entitlement for each accepting Shareholder was determined.
6. Subject to the Partial Offer becoming unconditional, remittances in respect of the consideration payable for the Offer Shares tendered under the Partial Offer will be posted by ordinary post to the accepting Shareholders at their own risk as soon as possible but in any event no later than seven business days after the Final Closing Date.
7. If there is any severe weather condition in force in Hong Kong:
 - a. 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 Partial Offer and the latest date for despatch of remittances for the amounts due under the Partial Offer in respect of valid acceptances, the latest time for acceptance of the Partial Offer will remain at 4:00 p.m. on the same business day and the latest date for the despatch of remittances will remain on the same business day; or
 - b. at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Partial Offer and the latest date for despatch of remittances for the amounts due under the Partial Offer in respect of valid acceptances the latest time for acceptance of the Partial Offer and the latest date for the despatch of remittances will be rescheduled 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.

For the purpose of the Response Document, “severe weather” refers to the scenario where typhoon signal No. 8 or above, a black rainstorm warning (as issued by the Hong Kong observatory), or the “extreme conditions” warning (as announced by the Hong Kong Government) is in force in Hong Kong.

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

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Alternative Liquidity”	Alternative Liquidity GP LLC, the general partner and investment manager of the Offeror
“Announcement”	the announcement issued by the Offeror dated 11 February 2025 in respect of the Partial Offer
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Board”	the board of Directors
“business day(s)”	has the meaning ascribed to it under the Takeovers Code
“Closing Date”	the First Closing Date of the Partial Offer or any subsequent closing date of the Partial Offer as may be extended or revised by the Offeror with the permission of the Executive
“Company”	China Longevity Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1863)
“Condition”	the condition to which the Partial Offer is subject, as set out in the section headed “THE PARTIAL OFFER – Condition to the Partial Offer” of this Response Document
“Despatch Date”	Tuesday, 11 March 2025, being the date of despatch of the Offer Document to the Shareholders as required by the Takeovers Code
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Final Closing Date”	the date which is either the 14th day after the date on which the Partial Offer is declared unconditional as to acceptances; or the First Closing Date, whichever is the later, provided that the Partial Offer will be open for acceptance for at least 28 days after the Despatch Date

DEFINITIONS

“First Closing Date”	the date stated in the Offer Document as the first closing day of the Partial Offer, which shall be at least 28 days after the Despatch Date, or such later date as may be determined by the Offeror in accordance with the requirements of the Takeovers Code and with the permission of the Executive
“Form of Acceptance”	the form of acceptance and transfer in respect of the Partial Offer accompanying the Offer Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors who have no direct or indirect interest in the Partial Offer, namely Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping, formed for the purpose of advising the Qualifying Shareholders in respect of the Partial Offer
“Joint Independent Financial Advisers”	Silverbricks Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO and VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Latest Practicable Date”	21 March 2025, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained in this Response Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Document”	the offer document dated 11 March 2025 despatched by the Offeror (accompanied by the Form of Acceptance) to all the Shareholders in connection with the Partial Offer pursuant to the requirements of the Takeovers Code
“Offer Period”	the period commencing on 11 February 2025, being the date of the Announcement and ending on the close of the Partial Offer
“Offer Price”	the offer price of HK\$0.01 per Offer Share

DEFINITIONS

“Offer Share(s)”	the Shares to be purchased by the Offeror from the Qualifying Shareholders under the Partial Offer, being an amount no less than 8,526,125 Offer Shares (being the minimum number required for the Partial Offer to become unconditional) but no more than the maximum of 85,261,250 Offer Shares held by the Qualifying Shareholders which are subject to the Partial Offer
“Offeror”	Alternative Liquidity Index, LP, a fund in the form of a Delaware incorporated limited partnership
“Partial Offer”	the conditional voluntary cash partial offer being made by Somerley Capital for and on behalf of the Offeror to acquire an amount no less than 8,526,125 Offer Shares (being the minimum number required for the Partial Offer to become unconditional) but no more than the maximum of 85,261,250 Offer Shares at the Offer Price in cash from the Qualifying Shareholders in accordance with the Takeovers Code on the basis set out in the Offer Document and the accompanying Form of Acceptance
“PRC”	the People’s Republic of China, which for the purpose of this Response Document, shall excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Condition”	the pre-condition to the making of the Partial Offer, as set out in the section headed “THE PARTIAL OFFER – Pre-Condition to the Partial Offer” of this Response Document, which was satisfied on 7 March 2025
“Qualifying Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Receiving Agent”	Union Registrars Limited, in its capacity as the receiving agent of the Offeror with respect to the Partial Offer, located at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Registrar”	Boardroom Share Registrars (HK) Limited, the branch share registrars and transfer office of the Company in Hong Kong, located at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
“Relevant Period”	the period commencing from 11 August 2024, being the date falling six months immediately preceding the commencement of the Offer Period (i.e. 11 February 2025), to and inclusive of the Latest Practicable Date

DEFINITIONS

“Response Document”	this response document issued by the Company in relation of the Partial Offer
“RMB”	renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) with par value of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Somerley Capital”	Somerley Capital Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Partial Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“%”	per cent.

LETTER FROM THE BOARD



CHINA LONGEVITY GROUP COMPANY LIMITED

中國龍天集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

Executive Directors:

Mr. Liu Jun (*Chairman*)
Mr. Jiang Shisheng
Mr. Gao Juwen

Independent Non-executive Directors:

Mr. Lau Chun Pong
Mr. Lu Jiayu
Ms. Jiang Ping

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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

Room 1307, New East Ocean Centre
9 Science Museum Road
Tsimshatsui East
Kowloon, Hong Kong

25 March 2025

To the Qualifying Shareholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH PARTIAL OFFER BY
SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF
ALTERNATIVE LIQUIDITY INDEX, LP
TO ACQUIRE A MAXIMUM OF 85,261,250 SHARES IN
CHINA LONGEVITY GROUP COMPANY LIMITED**

INTRODUCTION

Reference is made to the Announcement, whereby the Offeror intended to make the Partial Offer to acquire a minimum of 8,526,125 Offer Shares, representing approximately 1% of the Company's issued share capital as at the date of the Announcement, and a maximum of 85,261,250 Offer Shares, representing approximately 10.00% of the issued share capital of the Company as at the date of the Announcement.

LETTER FROM THE BOARD

The Offer Document accompanied with the Form of Acceptance were despatched on 11 March 2025.

The purpose of this Response Document is to provide with, among other things, information relating to the Group and the Partial Offer, the recommendation of the Board and the Independent Board Committee to the Qualifying Shareholders in respect of the Partial Offer, and the advice from the Joint Independent Financial Advisers to the Independent Board Committee on the Partial Offer.

You are advised to read this Response Document, the recommendation of the Board and the Independent Board Committee and the advice from the Joint Independent Financial Advisers carefully before taking any action in respect of the Partial Offer.

THE PARTIAL OFFER

The terms of the Partial Offer are set out in the Offer Document and the Form of Acceptance. You are recommended to refer to the Offer Document and the Form of Acceptance for further details.

Principal terms of the Partial Offer

The Partial Offer is being made by Somerley Capital, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.01 in cash

The Partial Offer is extended to all Qualifying Shareholders in accordance with the requirements of the Takeovers Code.

The making of the Partial Offer is subject to the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. According to the announcement made by the Offeror on 7 March 2025, the consent from the Executive in respect of the Partial Offer has been obtained and the Pre-Condition has been fulfilled on 7 March 2025.

As at the Latest Practicable Date, the Company did not have outstanding dividends which had been declared but not yet paid. A meeting of the Board will be held on Friday, 28 March 2025 at 3:00 pm for the purpose of, among other matters, considering and approving the announcement of the final results of the Company and its subsidiaries for the year ended 31 December 2024 and its publication, and considering the payment of a final dividend, if any.

Further details of the Partial Offer including, among others, the expected timetable, the conditions, terms and procedures of acceptance of the Partial Offer, are set out in the Offer Document, the Form of Acceptance, and further announcements made or to be made by the Offeror (if applicable).

LETTER FROM THE BOARD

Pre-Condition to the Partial Offer

As disclosed in the Announcement, the making of the Partial Offer was subject to (i) the obtaining of consent from Executive for the Partial Offer under Rule 28.1 of the Takeovers Code; and (ii) the obtaining of a waiver from requirement under Rule 28.7 of the Takeovers Code from the Executive in connection with the making of the Partial Offer for a specified range (rather than a precise number) of Shares.

As disclosed in the announcement of the Offeror dated 7 March 2025 in relation to the update on the Partial Offer, the Offeror announced that the Pre-Condition had been satisfied on 7 March 2025.

Condition to the Partial Offer

As disclosed in the Offer Document, the Partial Offer is subject to the Condition that valid acceptances are received (and not, where permitted, withdrawn) in respect of a minimum of 8,526,125 Offer Shares at or before 4:00 p.m. (Hong Kong time) on the First Closing Date which shall be at least 28 days the Despatch Date of the Offer Document issued by the Offeror in respect of the Partial Offer, or such later date as may be extended by the Offeror in accordance with the requirements of the Takeovers Code and with the permission of the Executive.

In the event that valid acceptances are received:

- (i) for less than the required number of 8,526,125 Offer Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the requirements of the Takeovers Code and with the permission of the Executive, the Partial Offer will not proceed and will lapse immediately; and
- (ii) for not less than the required number of 8,526,125 Offer Shares on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

For the avoidance of doubt, the Company has no knowledge and information as to whether the Condition has been fulfilled as at the Latest Practicable Date.

Pursuant to the Offer Document, the Offeror will issue an announcement in relation to the revision, extension or lapse of the Partial Offer or the fulfilment of the Condition in accordance with the Takeovers Code and the Listing Rules.

WARNING: Shareholders and potential investors in the Company should note that the Partial Offer is subject to the satisfaction of the Condition. Accordingly, the Partial Offer may or may not become unconditional and will lapse if it does not become unconditional. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR

With reference to the Offer Document, the Offeror is a fund in the form of a Delaware incorporated limited partnership managed by Alternative Liquidity (which conducts business using the name Alternative Liquidity Capital) which acts as its general partner and investment manager responsible for managing the portfolio of the Offeror.

Alternative Liquidity, based in the state of Minnesota in the United States, is in the business of providing liquidity solutions to investors in delisted and non-traded securities globally by making offers for such securities which, after taking into account risk-reward assessments based on information and know-how available to it, are consistent with its long-term investment strategy. Alternative Liquidity has successfully completed more than 20 partial tender offers in the United States, Australia, and other jurisdictions. As at 31 December 2024, Alternative Liquidity had approximately US\$16.9 million in assets under management.

Alternative Liquidity has the sole discretion of making investments on behalf of the Offeror and exercising powers set forth in the relevant partnership agreement including, without limitation, to purchase and otherwise deal in securities and make investments in other entities.

Mr. Jacob Mohs is the founder and managing member of Alternative Liquidity, and in his capacity as the managing member of Alternative Liquidity, his roles and responsibilities include developing and implementing investment strategies, making final trading decisions, managing portfolio performance, overseeing risk assessment, ensuring the Offeror's compliance with all applicable regulations as well as ensuring accurate and timely financial reporting that adheres to industry best practices and investor expectations. Mr. Mohs also serves as a board director of several companies affiliated with the Offeror in Minnetonka, United States and is the founder of Diligent Research LLC (formerly known as Ockham Research LLC, doing business as Ockham Data Group, which is a financial data provider for the alternative investment industry) based in Minnetonka, United States. Mr. Mohs has an M.A. from the Elliott School of International Affairs at the George Washington University and a B.S. from the University of Wisconsin-Madison. He holds the Chartered Financial Analyst and Chartered Alternative Investment Analyst designations.

The Company recommends any Qualifying Shareholders who may require advice in this regard to consult their solicitor or other professional adviser before making the decision to, whether or not, accept the Partial Offer.

REASONS FOR THE PARTIAL OFFER

According to the information disclosed in the Offer Document, Alternative Liquidity seeks to make diversified long-term investments and provide liquidity solutions to investors in delisted and non-traded securities. Consistent with such investment strategy and philosophy, Alternative Liquidity is seeking to establish an ownership interest in the Shares for passive investment purposes and is not seeking to control or consolidate control of the Company. This is because to date, the business model of Alternative Liquidity does not involve acquiring control or seeking to consolidate control over investee companies, or to invest in companies as a controlling shareholder. As such, the Offeror is seeking to make the Partial Offer rather than

LETTER FROM THE BOARD

a general offer for all the Shares. Alternative Liquidity has a normal investment horizon of five to ten years. The Partial Offer is not intended as disruptive but rather as a means to take an investment position in a long-suspended company.

According to the Offer Document, Alternative Liquidity, acting for the Offeror, has determined the size and timing of the Partial Offer after taking into consideration various factors relevant to the Company including, without limitation, the financial position of the Company, the length of suspension of trading of the Shares, the reasons (including the Material Issues) for the suspension and their impact or implications for investors.

According to the Offer Document, Alternative Liquidity considers that the Partial Offer provides a reasonable opportunity for legacy holders of the Shares (who may wish to dispose of their Shares due to the Material Issues and other risks faced by the Company but are unable to do so due to the prolonged trading suspension) to dispose of some or all of their Shares in a fair and transparent manner. In the process, Alternative Liquidity would assume the relevant associated risks attached to the holding of the Shares in the longer term (consistent with its longer term investment strategy) which is reflected in the discount to the Offer Price commensurate with the risk-benefit balance.

INTENTION OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

The Partial Offer is uninvited and as at the Latest Practicable Date, the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group and its employees. According to the Offer Document, Alternative Liquidity is seeking to establish an ownership interest in the Shares for passive investment purposes and is not seeking to control or consolidate control of the Company. As no concrete or detailed plan was provided by the Offeror in the Offer Document for the business of the Group and its employees, the Board is unable to form any view on the Offeror's intentions in respect of the Group and its employees.

COMPULSORY ACQUISITION AND MAINTAINING THE LISTING STATUS OF THE COMPANY

With reference to the Offer Document, the Offeror will not have the power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Partial Offer after the close of the Partial Offer.

As disclosed in the Offer Document, the Offeror intends that the Company to remain listed on the Stock Exchange.

INFORMATION ON THE GROUP

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials; and (ii) PVC and Non-PVC composite materials of floorings and wall panels, with primary operation in the PRC. For details about the business segment and trading prospect of the Group, please refer to "Appendix II - General information – 5. Financial and trading prospect of the Group" in this Response Document.

LETTER FROM THE BOARD

The Shares of the Company have been suspended from trading on the Stock Exchange since 14 February 2013. The Company has been working and will continue to work actively towards the resumption of trading in its shares and will keep the Shareholders and potential investors informed of the progress as and when appropriate.

As at the Latest Practicable Date, the Company has not received any notice from the Stock Exchange stating that it is proceeding to delist the Company. As at the Latest Practicable Date, the Company has not received any notice from the SFC stating its decision on the resumption application of the Company.

The following table is a summary of (i) certain consolidated financial information of the Company for the six months ended 30 June 2023 and 30 June 2024; and (ii) certain audited consolidated financial information of the Company for the years ended 31 December 2022 and 31 December 2023:

	For the year ended 31 December		For the six months ended 30 June	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	926,621	933,930	447,722	532,153
Profit before tax	48,858	64,653	19,861	22,850
Profit for the year/period	44,519	58,645	17,653	17,791
Profit for the year/period attributable to the				
Shareholders	46,188	63,000	19,545	20,153
Earnings per Share attributable to the Shareholders (RMB cents)	5.42	7.39	2.29	2.36

As at 31 December 2023, the audited consolidated net assets of the Company amounted to approximately RMB758,156 million, and as at 30 June 2024, the unaudited consolidated net assets of the Company amounted to approximately RMB775,954 million. For further details in relation to the financial information of the Company, please refer to “Appendix I – Financial Information of the Group” to this Response Document.

PUBLIC FLOAT OF THE COMPANY

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

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

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has a public float of approximately 51.81% of the Shares. Assuming (i) acceptances of the maximum number of Offer Shares under the Partial Offer by the Qualifying Shareholders; and (ii) that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date, the Company will have a public float of above 25% of the Shares immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules. With reference to the Offer Document, as required to be disclosed pursuant to Rule 14.81(1) of the Listing Rules, the Offeror intends the Company to remain listed on the Stock Exchange and undertakes to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares as a result of the Partial Offer.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PARTIAL OFFER

Assuming that (i) there will be no change to the issued share capital of the Company; and (ii) no other change to the shareholding between the Latest Practicable Date and up to the Final Closing Date, the shareholding structure of the Company, as at the Latest Practicable Date and immediately upon completion of the Partial Offer in the event (a) the maximum of 85,261,250 Offer Shares are tendered by Qualifying Shareholders and each Qualifying Shareholder has tendered an approximately 10% (i.e. 85,261,250 divided by 852,612,470) of his/her holdings of Shares for acceptance under the Partial Offer; and (b) the minimum of 8,526,125 Offer Shares for the Partial Offer to become unconditional are tendered by Qualifying Shareholders and each Qualifying Shareholder has tendered an approximately 1% (i.e. 8,526,125 divided by 852,612,470) of his/her holdings of Shares for acceptance under the Partial Offer, is set out in the following table, for illustration purpose :

LETTER FROM THE BOARD

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Partial Offer in the event that the maximum of 85,261,250 Offer Shares have been tendered by Qualifying Shareholders for acceptance under the Partial Offer		Immediately upon completion of the Partial Offer in the event that 8,526,125 Offer Shares (being the minimum number required to be tendered for the Partial Offer to become unconditional) have been tendered by Qualifying Shareholders for acceptance under the Partial Offer	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Hopeland International Holdings Company Limited ⁽¹⁾	410,886,000	48.19	369,797,399	43.37	406,777,140	47.71
Glory Bright Investments Enterprise Limited ⁽²⁾	59,011,000	6.92	53,109,900	6.23	58,420,890	6.85
The Offeror and parties acting in concert with it	–	–	85,261,250	10.00	8,526,125	1.00
Other public Shareholders	<u>382,715,470</u>	<u>44.89</u>	<u>344,443,921</u>	<u>40.40</u>	<u>378,888,315</u>	<u>44.44</u>
Total:	<u>852,612,470</u>	<u>100.00</u>	<u>852,612,470</u>	<u>100.00</u>	<u>852,612,470</u>	<u>100.00</u>

Notes:

- As at the Latest Practicable Date, Mr. Lin Shengxiong through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 Shares, representing approximately 48.19% of the entire issued share capital of the Company. Mr. Lin Shengxiong is a former executive Director of the Company and resigned on 1 December 2022.
- Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng, an independent third party. As at the Latest Practicable Date, Mr. Lin Wanpeng is deemed to be interested in 59,011,000 Shares, representing approximately 6.92% of the entire issued share capital of the Company.
- Percentage figures are rounded to two decimal places, and certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As at the Latest Practicable Date, none of the Directors had any interest in the Shares of the Company.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND JOINT INDEPENDENT FINANCIAL ADVISERS

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping, being all independent non-executive Directors, who have no direct or indirect interest in the Partial Offer other than as holders of the Shares (if any), was formed to give advice to the Qualifying Shareholders as to whether the Partial Offer is fair and reasonable and as to the acceptance of the Partial Offer.

The Board has appointed Silverbricks Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO and VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Qualifying Shareholders in respect of the Partial Offer and, in particular, as to whether the Partial Offer is fair and reasonable and as to the acceptance of the Partial Offer. Each of the appointment of Silverbricks Securities Company Limited and VBG Capital Limited as the Joint Independent Financial Advisers has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code. The letter of advice from the Joint Independent Financial Advisers in respect of the Partial Offer and the recommendations as to the Independent Board Committee and the Qualifying Shareholders is included in this Response Document.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this Response Document, which contains its recommendation to the Qualifying Shareholders in respect of the Partial Offer; and (ii) the letter from the Joint Independent Financial Advisers set out on pages 17 to 43 of this Response Document, which contains its advice to the Independent Board Committee in connection with the Partial Offer, as well as the principal factors and reasons considered by it in arriving at its recommendation. **Qualifying Shareholders should read these letters in conjunction with the Offer Document carefully before taking any action in respect of the Partial Offer.**

The Directors (excluding the members of the Independent Board Committee whose view is set out in the “Letter from the Independent Board Committee” in this Response Document) concur with the views of the Independent Board Committee and the Joint Independent Financial Advisers and are of the view that the Partial Offer is NOT fair and reasonable so far as the Qualifying Shareholders are concerned and accordingly recommend the Qualifying Shareholders NOT to accept the Partial Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Response Document.

You are also recommended to read carefully the Offer Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Partial Offer.

LETTER FROM THE BOARD

SUSPENSION OF TRADING

Trading of shares of the Company has been suspended since 14 February 2013 and will remain suspended until further notice.

As at the Latest Practicable Date the Company has not received any notice from the Stock Exchange stating that it is proceeding to delist the Company.

Yours faithfully,

For and on behalf of the Board

CHINA LONGEVITY GROUP COMPANY LIMITED

Liu Jun

Chairman and Executive Director



CHINA LONGEVITY GROUP COMPANY LIMITED

中國龍天集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

25 March 2025

To the Qualifying Shareholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH PARTIAL OFFER
BY SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF
ALTERNATIVE LIQUIDITY INDEX, LP
TO ACQUIRE A MAXIMUM OF 85,261,250 SHARES IN
CHINA LONGEVITY GROUP COMPANY LIMITED**

INTRODUCTION

We refer to the response document (the “**Response Document**”) dated 25 March 2025 issued by the Company, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Response Document.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Qualifying Shareholders as to whether or not the Partial Offer is fair and reasonable and to make a recommendation as to the acceptance of the Partial Offer.

Silverbricks Securities Company Limited and VBG Capital Limited have been appointed as the Joint Independent Financial Advisers to advise us in respect of the above. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the section headed “Letter from the Joint Independent Financial Advisers” on pages 17 to 43 of the Response Document.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Having considered the terms of the Partial Offer and the advice from the Joint Independent Financial Advisers, we concur with the Joint Independent Financial Advisers' advice and consider that the Partial Offer is NOT fair and reasonable so far as the Qualifying Shareholders are concerned. On this basis, we concur with the Joint Independent Financial Advisers' advice and we ourselves recommend the Qualifying Shareholders NOT TO accept the Partial Offer.

Notwithstanding our recommendations, the Qualifying Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. As different Qualifying Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of the Offer 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 before making the decision to, whether or not, accept the Partial Offer. The Qualifying Shareholders also should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Furthermore, the Qualifying Shareholders are also reminded to read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document, the appendices to the Offer Document and the Form of Acceptance, if they wish to accept the Partial Offer.

Yours faithfully
The Independent Board Committee

Mr. Lau Chun Pong

Mr. Lu Jiayu
Independent Non-executive Directors

Ms. Jiang Ping

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The following is the full text of a letter of advice from the Joint Independent Financial Advisers to the Independent Board Committee in relation to the Partial Offer, which has been prepared for the purpose of inclusion in this Response Document.



Rooms 1601-07,
16/F, Nan Fung Tower,
88 Connaught Road
Central, Central
Hong Kong



21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

25 March 2025

To: The Independent Board Committee

Dear Sirs or Madams,

VOLUNTARY CONDITIONAL CASH PARTIAL OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF ALTERNATIVE LIQUIDITY INDEX, LP TO ACQUIRE A MAXIMUM OF 85,261,250 SHARES IN THE ISSUED SHARE CAPITAL OF THE COMPANY FROM QUALIFYING SHAREHOLDERS

I. INTRODUCTION

Introduction

We refer to our appointment as the joint independent financial advisers (“**Joint Independent Financial Advisers**”) to advise the Independent Board Committee, in relation to the Partial Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the response document dated 25 March 2025 (the “**Response Document**”) issued by China Longevity Group Company Limited (the “**Company**”, collectively with its subsidiaries as the “**Group**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Response Document.

Reference is made to the announcement by the Company (the “**Company Announcement**”) in relation to the Partial Offer, whereby the Board was notified in writing by a letter from Somerley Capital Limited dated 10 February 2025 that the Offeror intended to make the Partial Offer for up to 85,261,247 Offer Shares, representing approximately 10.00% of the entire issued share capital of the Company as at the date of the announcement, not already owned by the Offeror and parties acting in concert with the Offeror.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Reference is also made to the announcement of the Offeror dated 11 February 2025 (the “**Offeror Announcement**”), whereby the Offer Price and further details of the Partial Offer were announced by the Offeror. The Offer Document accompanied with the Form of Acceptance were despatched on 11 March 2025.

The making of the Partial Offer was subject to the satisfaction of the Pre-Condition, being (i) the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code; and (ii) the obtaining of a waiver from requirement under Rule 28.7 of the Takeovers Code from the Executive in connection with the making of the Partial Offer for a specified range (rather than a precise number) of Shares. As disclosed in the announcement of the Offeror dated 7 March 2025 in relation to the update on the Partial Offer, the Offeror announced that the Pre-Condition had been satisfied on 7 March 2025.

As at the Latest Practicable Date, there are 852,612,470 Shares in issue with no outstanding options, warrants, derivatives or securities that carry a right to subscribe for or that are convertible or exchangeable into Shares or other types of equity interest, and as at the Latest Practicable Date, 852,612,470 Shares in issue are held by the Qualifying Shareholders.

The Independent Board Committee

In accordance with Rules 2.8 of the Takeovers Code, the Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Lau Chun Pong, Mr. Lu Jiayu and Ms. Jiang Ping, has been established to make a recommendation to the Qualifying Shareholders as to whether the Partial Offer is fair and reasonable, and as to the acceptance of the Partial Offer.

We have been appointed as the Joint Independent Financial Advisers by the Company pursuant to Rule 2.1 of the Takeovers Code with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Partial Offer and in particular as to whether the Partial Offer is fair and reasonable, and as to the acceptance of the Partial Offer.

In the past two years, saved as the current appointment as the Joint Independent Financial Advisers in respect of the Partial Offer, we are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, considered ourselves eligible to give independent advice on the Partial Offer. Apart from normal professional fees paid or payable to us in connection with the appointment as the Joint Independent Financial Advisers of the Partial Offer, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them. We are therefore independent under Rule 13.84 of the Listing Rules and under Rule 2.6 of the Takeovers Code to act as the Joint Independent Financial Advisers to the Independent Board Committee in connection with the Partial Offer.

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Group and have assumed that all such information, financial information and facts and any representations made to us or

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

referred to in the Company Announcement, and the Response Document, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Group. We have been advised by the Directors and/or the management of the Group that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading. Should there be any subsequent material changes in such information during the Offer Period, the Company will inform the Qualifying Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Qualifying Shareholders shall also be informed as soon as practicable when there are any material changes to the information contained or referred to in this letter and our opinion after the Latest Practicable Date and throughout the Offer Period.

Our review and analyses were based upon, among others, the information provided by the Company and certain published information from the public domain including, (i) the annual reports of the Company for the two years ended 31 December 2022 (the “**2022 Annual Report**”) and 2023 (the “**2023 Annual Report**”); (ii) the interim reports of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”) and 2024 (the “**2024 Interim Report**”); (iii) the Company Announcement; (iv) the Offeror Announcement; (v) the Offer Document; and (vi) other information as set out in the Response Document and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company as set out in the Response Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Partial Offer.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Directors and/or the management of the Group in the Response Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Response Document, including this letter, misleading.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

We have not considered the tax and regulatory implications on the Qualifying Shareholders of acceptance or non-acceptance of the Partial Offer since these depend on their individual circumstances. In particular, the Qualifying 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 Qualifying Shareholders solely in connection with their consideration of the Partial Offer, and except for its inclusion in the Response 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.

III. TERMS AND CONDITIONS OF THE PARTIAL OFFER

Set out below are the summary of terms and conditions of the Partial Offer, for details please refer to the “**Letter from the Board**” as contained in the Response Document.

1. Pre-Condition to the Partial Offer

As disclosed in the Offeror Announcement, the making of the Partial Offer is subject to:

- (i) the obtaining of consent from Executive for the Partial Offer under Rule 28.1 of the Takeovers Code; and
- (ii) the obtaining of a waiver from requirement under Rule 28.7 of the Takeovers Code from the Executive in connection with the making of the Partial Offer for a specified range (rather than a precise number) of Shares.

As disclosed in the announcement of the Offeror dated 7 March 2025 in relation to the update on the Partial Offer, the Offeror announced that the Pre-Condition had been satisfied on 7 March 2025.

2. Conditions to the Partial Offer

The Partial Offer is subject to the Condition that valid acceptances are received (and not, where permitted, withdrawn) in respect of a minimum of 8,526,125 Offer Shares at or before 4:00 p.m. (Hong Kong time) on the First Closing Date which shall be at least 28 days after the Despatch Date of the Offer Document issued by the Offeror in respect of the Partial Offer, or such later date as may be extended by the Offeror in accordance with the requirements of the Takeovers Code and with the consent of the Executive.

In the event that valid acceptances are received:

- (i) for less than the required number of 8,526,125 Offer Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the requirements of the Takeovers Code and with the consent of the Executive, the Partial Offer will not proceed and will lapse immediately; and

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

- (ii) for not less than the required number of 8,526,125 Offer Shares on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

For the avoidance of doubt, the Company has no knowledge and information as to whether the condition above has been fulfilled as at the Latest Practicable Date.

Pursuant to the Offer Document, the Offeror will issue an announcement in relation to the revision, extension or lapse of the Partial Offer or the fulfilment of the condition above in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Partial Offer unconditional in all respects is 4:00 p.m. on Tuesday, 8 April 2025 (or such later date and/or time as permitted by the Executive).

3. The Partial Offer

As at the Latest Practicable Date, there are 852,612,470 Shares in issue, amongst Somerley Capital, on behalf of the Offeror, would make a voluntary conditional partial cash offer to acquire a minimum of 8,526,125 Offer Shares (representing approximately 1% of the Company's issued share capital as at the Latest Practicable Date) and a maximum of 85,261,250 Shares (representing approximately 10.00% of the Shares in issue as at the Latest Practicable Date) from the Qualifying Shareholders at the Offer Price of HK\$0.01 per Offer Share in cash.

The Offer Price of HK\$0.01 per Offer Share was determined on an arm's length commercial basis after taking into account, among other things, the prospect of the Company, the trading liquidity and the historic closing prices of the Shares on the Stock Exchange and with reference to other similar transactions in Hong Kong in recent years.

The Offer Shares to be acquired by the Offeror from the Qualifying Shareholders shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Final Closing Date. As at the Latest Practicable Date, the Company has no declared but unpaid dividends, distributions and/or other return of capital. The Company confirms that as at the Latest Practicable Date, it does not have any intention to make, declare or pay any further dividend or make other distributions between the Latest Practicable Date and the Final Closing Date.

If, after the date of the Latest Practicable Date and up to the Final Closing Date, any dividend and distributions is declared in respect of the Offer Shares and the record date of which falls on or before the Final Closing Date, the Offeror reserves the right to reduce the Offer Price by an amount equal to the amount of such dividend or distributions declared, made or paid in respect of each Offer Share, in which case any reference in the Company Announcement, the Offeror Announcement, the Response Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

4. Other Terms to the Partial Offer

Acceptance of the Partial Offer

The Qualifying Shareholders may accept the Partial Offer in respect of some or all of the Offer Shares held by them.

Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for 85,261,250 Shares, all Offer Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 85,261,250 Shares as at the Final Closing Date, the total number of Offer Shares to be taken up by the Offeror from each accepting Qualifying Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

A	=	85,261,250 Shares, being the total number of Offer Shares for which the Partial Offer is made
B	=	the total number of Offer Shares validly tendered by all Qualifying Shareholders under the Partial Offer
C	=	the number of Offer Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer

Partial nature of the Partial Offer and effect of fractions

It is possible that, if a Qualifying Shareholder tenders all his/her/its Shares for acceptance under the Partial Offer, not all of such Shares will be taken up.

Fractions of Offer Shares will not be taken up under the Partial Offer and, accordingly, the number of Offer Shares that the Offeror will take up from each Qualifying Shareholder in accordance with the above Formula will be rounded up or down to the nearest whole number at the discretion of the Offeror, and in any event, the total number of Offer Shares to be taken up by the Offeror will not exceed the number of Offer Shares.

Odd lots

The Shares are currently traded in board lots of 1,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer. Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, a designated broker has been appointed by the Offeror to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks following the closing of the Partial Offer to enable such Qualifying Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 1,000 shares each. Please refer to section headed “Odd lots” in the “**Letter from the Board**” of the Response Document for further details.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Effect of accepting the Partial Offer

Acceptance of the Partial Offer by any Qualifying Shareholder will constitute a warranty by such Qualifying Shareholder to the Offeror that the Shares sold by it to the Offeror under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Final Closing Date. As at the Latest Practicable Date, the Company has not declared any dividends or other distributions which remain unpaid.

Based on the published information of the Company available to the public as at the Latest Practicable Date, no dividend or distribution has been declared by the Company for the financial years ended 31 December 2023 and 31 December 2024 up to the Latest Practicable Date.

Acceptance of the Partial Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Settlement of consideration

Settlement of the consideration payable by the Offeror in respect of acceptance of the Partial Offer will be made as soon as possible but in any event no later than seven (7) business days after the Final Closing Date. Further details regarding the timing of settlement of the consideration payable by the Offeror in respect of acceptance of the Partial Offer will be set out in the Offer Document.

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

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

Besides the terms and conditions of the Partial Offer mentioned in the previous chapter, we have considered the following principal factors and reasons in arriving at our recommendations in respect of the Partial Offer:

1. Background information of the Group

The Company is a Hong Kong-based company principally engaged in the design, development, manufacture and sales of polymer processed high strength polyester fabric composite materials and other reinforced composite materials, conventional materials and downstream-related inflatable and waterproof products (including double wall fabric, tent materials, architectural membranes, airtight materials, sports materials, large scale inflatable toys and water sports products, among others) which

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

are applied in various industries (including the transportation industry, the construction industry, the renewable energy industry, the agriculture industry, the outdoor leisure industry, the entertainment industry and the sports industry). The Company mainly operates businesses in China.

2. Analysis of the financial information of the Group

(i) Financial performance of the Group

The following table summarises the consolidated audited financial results of the Group for the years ended 2022 and 2023, and consolidated unaudited financial results of the Group for the six months ended 30 June 2023 and 30 June 2024 which are extracted from the 2024 Interim Report and 2023 Annual Report:

	For the six months ended 30 June		For the year ended 31 December	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000	2023 (audited) RMB'000	2022 (audited) RMB'000
Revenue	532,153	447,722	933,930	926,621
Gross profit	92,735	82,013	186,038	146,320
Gross profit margin	17.43%	18.32%	19.92%	15.79%
Administrative expenses	(58,300)	(43,084)	(83,188)	(77,116)
Profit (loss) before taxation	22,850	19,861	64,653	48,858

Financial performance for the six months ended 30 June 2023 (the “6M2023”) and the six months ended 30 June 2024 (the “6M2024”)

As set out in the 2024 Interim Report, the Group recorded revenue of approximately RMB532.2 million for the six months ended 30 June 2024, representing an increase of approximately 18.86% from approximately RMB447.7 million for the six months ended 30 June 2023 because of the introduction of new material products that was well-received by the market, while the Group's gross profit amounted to approximately RMB92.74 million for the six months ended 30 June 2024 compared to approximately RMB82.01 million for the six months ended 30 June 2023, representing an increase of approximately 13.07%. The gross profit margin was approximately 17.43%, compared to 18.32% for the same period last year. The decline in gross profit margin can be attributed primarily to a decrease in selling prices of building material products, which resulted from the economic downturn in European and American markets regarding to the instability of international geopolitics and consumer demand, as well as the political turbulence affecting Sino-American trade relations.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Profit before taxation of the Company amounted to approximately RMB22.85 million for the six months ended 30 June 2024 compared to approximately RMB19.86 million for the six months ended 30 June 2023, representing an increase of approximately 15.05%. The slight increase in profit for the period was primarily driven by an (i) increase in revenue and (ii) additional income and gains that constitute a rise of RMB12 million mainly gain from government subsidies; however, this was offset by a rise in administrative expenses.

Financial performance for the year ended 31 December 2022 (the “FY2022”) and the year ended 31 December 2023 (the “FY2023”)

As set out in the 2023 Annual Report, the Group recorded revenue of approximately RMB933.9 million for the year ended 31 December 2023, representing an increase of approximately 0.79% from approximately RMB926.6 million for the year ended 31 December 2022, while the Group’s gross profit amounted to approximately HK\$186 million for the year ended 31 December 2023 compared to approximately HK\$146.3 million for the year ended 31 December 2022, representing an increase of approximately 27.14% which mainly due to the decrease of products purchases cost.

Profit before taxation of the Company amounted to approximately HK\$64.65 million for the year ended 31 December 2023 compared to approximately HK\$48.86 million for the year ended 31 December 2022, representing an increase of approximately 32.33%. The year-on-year increase in profit for the year attributable to the owners of the Company was primarily due to (i) increase in revenue which mainly caused by the rise in demand of the material products; (ii) increase in gross profit margin was mainly attributable to the decrease in purchase costs for the year ended 31 December 2023.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

(ii) *Financial position of the Group*

A summary of the unaudited financial position of the Group as at 30 June 2024, and the audited financial position of the Group as at 31 December 2023, as extracted from the 2024 Interim Report is set out below:

	For the six months ended 30 June 2024 (unaudited) RMB'000	For the year ended 31 December 2023 (audited) RMB'000
Non-Current Assets		
Property, plant and equipment	965,288	903,117
Right-of-use assets	85,096	85,187
Investment properties	34,815	34,822
Intangible assets	1,441	1,505
Interest in an associate	13,064	12,900
Deposits paid for acquisition of property, plant and equipment	23,978	28,616
Equity investments at fair value through other comprehensive income	4,140	4,140
Deferred tax assets	2,655	2,683
	1,130,477	1,072,970
Current Assets		
Inventories	276,084	232,334
Trade and bills receivables	251,501	226,689
Prepayments, deposits and other receivables	70,589	74,623
Pledged bank deposits	44,500	38,978
Cash and cash equivalents	54,110	64,355
	696,784	636,979
Total assets	1,827,261	1,709,949
Current Liabilities		
Trade and bills payables	287,586	241,932
Lease liabilities	790	867
Contract liabilities	11,384	7,315
Other payables and accruals	35,958	45,676
Interest-bearing borrowings	143,632	156,494
Deferred income	380	380
Due to a director	18	17
Tax payable	7,459	7,593
	487,207	460,274
Non-Current Liabilities		
Interest-bearing borrowings	516,500	460,064
Lease liabilities	2,995	2,141
Deferred income	28,238	12,998
Deferred tax liabilities	16,367	16,316
	564,100	491,519
Total liabilities	1,051,307	951,793
Net assets	775,954	758,156

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We noted from the 2024 Interim Report and 2023 Annual Report that the Group recorded net asset of the Company of approximately RMB776.0 million as at 30 June 2024 compared to approximately RMB758.2 million as at 31 December 2023.

The total assets of the Group amounted to approximately RMB1,827.3 million as at 30 June 2024 and approximately RMB1,710.0 million as at 31 December 2023, respectively, representing an increase of 6.86% in the total assets. As at 30 June 2024, the non-current assets of the Group comprise mainly (i) property, plant and equipment of approximately RMB965.3 million compared to approximately RMB903.1 million as at 31 December 2023 due to acquisition of property, plant and equipment for the construction of Sijia (Fuqing) Industrial Park; and (ii) right-of-use assets amounting to approximately RMB85.10 million compared to approximately RMB85.19 million as at 31 December 2023. As at 30 June 2024, the current assets of the Company comprised mainly (i) inventories of approximately RMB276.1 million compared to approximately RMB232.3 million as at 31 December 2023, which attributed to the strategic procurement for material commodity and the commencement of production of Sijia (Fuqing) Industrial Park; (ii) trade and bills receivables of approximately RMB251.5 million compared to approximately RMB226.7 million as at 31 December 2023; and (iii) prepayments, deposits and other receivables of approximately RMB70.59 million compared to approximately RMB74.62 million as at 31 December 2023.

The total liabilities of the Group amounted to approximately RMB1.05 billion as at 30 June 2024 and approximately RMB951.8 million as at 31 December 2023, respectively, representing an increase of 10.46% in the total liabilities. The total liabilities of the Group as at 30 June 2024 mainly comprising (i) trade and bills payables amounting to RMB287.6 million compared to approximately RMB241.9 million as at 31 December 2023; and (ii) interest-bearing borrowings of RMB660.1 million compared to approximately RMB616.6 million as at 31 December 2023.

3. Background and intension of the Offeror

(i) *Background of the Offeror*

As set out in the “**Letter from Somerley Capital**” contained in the Offer Document, the Offeror is a fund in the form of a Delaware incorporated limited partnership managed by Alternative Liquidity GP LLC (which conducts business using the name Alternative Liquidity Capital) which acts as its general partner and investment manager responsible for managing the portfolio of the Offeror (“**Alternative Liquidity**”). Alternative Liquidity, based in the state of Minnesota in the United States, is in the business of providing liquidity solutions to investors in delisted and non-traded securities globally by making offers for such securities which, after taking into account risk-reward assessments based on information and know-how available to it, are consistent with its long-term investment strategy. Alternative Liquidity has successfully completed more than 20 partial tender offers in the United States, Australia, and other jurisdictions. As of December 31, 2024, Alternative Liquidity had approximately US\$14 million in assets under management.

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Further details are set out in the “**Letter from Somerley Capital**” contained in the Offer Document.

(ii) Intention of the Offeror

As set out in the “**Letter from Somerley Capital**” contained in the Offer Document, the Partial Offer is not intended as disruptive but rather as a means to take an investment position in a long-suspended company. Further details are set out in the “**Letter from Somerley Capital**” contained in the Offer Document.

(iii) Public Float of the Company

As disclosed in the Letter from the Board, the Company had a public float of approximately 51.81% of the Shares in issue as at the Latest Practicable Date. Assuming (i) full acceptances of the Partial Offer by the Qualifying Shareholders; and (ii) that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date, the Company will have a public float in excess of 25% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules.

As disclosed in the Offer Document, the Offeror intends that the Company to remain listed on the Stock Exchange. Please refer to “**Letter from Somerley Capital**” contained in the Offer Document.

(iv) Public Float of the Company

The Offeror will not have the power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Partial Offer after the close of the Partial Offer. Further details are set out in the “**Letter from Somerley Capital**” contained in the Offer Document.

(v) Size of the Partial Offer

The Offeror intends to acquire an amount no less than 8,526,125 Offer Shares (being the minimum number required for the Partial Offer to become unconditional) but no more than the maximum of 85,261,250 Offer Shares at the Offer Price in cash from the Qualifying Shareholders. Upon the completion of the Partial Offer, the Offeror will hold no more than approximately 10% of the Company’s issued share capital as of the Latest Practicable Date.

(vi) The Offeror’s intention in relation to the Partial Offer

As stated in the Offer Document, Alternative Liquidity is seeking to establish an ownership interest in the Shares for passive investment purposes. Since the Offeror intends to establish ownership for passive investment purpose only with the maximum of approximately

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10% of the Company's issued share capital as of the Latest Practicable Date, no specific or detailed plans regarding the Group's business or its employees were provided in the Offer Document.

(vii) *Our view*

We acknowledge that the Offeror has stated its intention for the Partial Offer as a passive investment. As the Offeror's intentions appear to support business continuity, we believe that the Partial Offer does not pose any risk to (i) the Company's business and operations, and (ii) the interests of the Company and the Qualifying Shareholders as a whole.

4. Future prospects and recent developments of the Group

(a) *Business performance and prospects of the Group*

As disclosed in the Letter from the Board, the Group is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials; and (ii) PVC and Non-PVC composite materials of floorings and wall panels, with primary operation in the PRC.

As set out in the 2024 Interim Report, the Group recorded revenue of approximately RMB532.2 million for the six months ended 30 June 2024, representing an increase of approximately 18.86% from approximately RMB447.7 million for the six months ended 30 June 2023, while the Group's gross profit amounted to approximately RMB92.74 million for the six months ended 30 June 2024 compared to approximately RMB82.01 million for the six months ended 30 June 2023, representing an increase of approximately 13.07%.

According to the 2024 Interim Report, the Group focuses on high-performance polyvinyl chloride ("PVC") composite materials division, located in Fuzhou and Shanghai, utilizes patented, proprietary processes to manufacture a range of materials, including drop stitch fabric, architectural films, and inflatable boat materials. Simultaneously, the Group focus in distributing products for wide spectrum of applications in education, healthcare, commerce, and more, all compliant with EU and U.S. standards. Through these efforts, the Group is dedicated to leading the way in sustainable industrial practices while meeting the diverse needs of the market.

We have conducted independent research to understand the overall performance of the People's Republic of China ("PRC")'s PVC related industries which would likely affect the Group's business, and we noted that according to the article by the China Commodity Data Group (https://www.sunsirs.com/uk/detail_news-22555.html) published on 22 January 2025, the market has performed strongly. The data is reliable since the data has widely recognized by industry professionals and serves as a primary source for China's government agencies. In 2024, total PVC production reached approximately 20.49 million tons, reflecting a year-on-year increase of 2.5%. However, the real estate sector, which accounts for about 65% of PVC demand, has faced challenges due to sluggish market conditions. Despite these difficulties in

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the real estate sector, the PVC industry is moving forward with plans to increase production capacity. As of December 2024, the effective production capacity of the PVC industry was 28 million tons, with plans to add 2.5 million tons of new production primarily through the ethylene method in construction development. This commitment to expanding production indicates that the PVC market remains optimistic about future demand, even in the face of current challenges. The industry's ability to adapt and grow suggests a confidence in the diversification of PVC applications beyond real estate, such the increase demands as in infrastructure projects, automotive components, and sustainable building materials which lead to the rise of PVC demands. Consequently, while the real estate sector is a significant driver of PVC demand, the ongoing production expansion reflects broader market potential and resilience in the PVC industry.

From January to October 2024, PVC powder, the substance of PVC, exports totaled 2.17 million tons, up 13.87% year-on-year, while imports decreased by 42.68% to 183,200 tons, with the Indian market accounting for about 50% of exports pursuant to an industry analysis published on the website of the China Baogao (中國報告大廳) in January 2025 (<https://m.chinabgao.com/freereport/98063.html>) since the data source has been leveraged from the Development Research Center of the State Council. However, ongoing anti-dumping investigations in India have negatively impacted domestic export activities.

Looking ahead, the supply-demand imbalance for PVC is expected to intensify in 2025 due to increased production capacity and continued downward pressure on demand from the real estate sector, complicating efforts to reduce high midstream inventory levels. Overall, the PVC market in 2024 is anticipated to experience low-level fluctuations, characterized by supply-demand discrepancies and sustained price suppression. This may lead to continued oversupply conditions in 2025 compared to 2024, resulting in prices fluctuating between RMB4,800 and 6,200 per ton.

While demand from exports and the real estate sector significantly influences the PVC industry, the versatility of PVC makes it increasingly relevant under sustainable development policies, thereby expanding its overall demand. Although the PVC market currently faces fluctuations in short-term demand, its long-term prospects in various construction material applications remain promising. Moreover, as environmental regulations become more stringent, PVC's ability to meet energy-saving and eco-friendly requirements positions it favorably in the market. The Group's production capabilities align well with these industry trends, reinforcing the confidence in the future of PVC. Therefore, we are of the view that the manufacture and sale of PVC and related products will continue to benefit from rising infrastructure construction demands in the PRC and globally, ultimately supporting the Group's business, even if a slight surplus conditions lead to price fluctuations in the market.

As such, we of the view that the Group is well-positioned to capture new growth opportunities in both domestic and international markets, which is expected to contribute positively to its long-term development and market presence.

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(b) The suspension of trading and the regulatory concerns of the SFC

References are made to the announcements of the Company dated 13 June 2014, 18 September 2017, 1 August 2018, 26 October 2018, 9 November 2018, 11 December 2018, 11 February 2019, 30 April 2019, 18 June 2019, 2 August 2019, 4 November 2019, 3 February 2020, 31 July 2020, 3 November 2020, 29 January 2021, 11 May 2021, 28 July 2021, 29 October 2021, 27 January 2022, 29 April 2022, 29 July 2022, 28 October 2022, 31 January 2023, 28 April 2023, 31 July 2023, 31 October 2023, 2 February 2024, 2 May 2024, 31 July 2024, 31 October 2024 and 28 January 2025, in relation to, among other things, the suspension of trading in the Shares.

The regulatory concerns of the SFC

On 23 December 2019, the Company, upon the suggestion of the Securities and Futures Commission (“**the Commission**”), submitted a written representation to the Board of the Commission (“**the Commission’s Board**”) pursuant to Section 9 of the Securities and Futures (Stock Market Listing) Rules (“**SMLR**”) to address the concerns raised by the Commission in its “Show Cause Letter” dated 24 November 2014 (“**the Resumption Application**”).

According to a letter from the Commission Secretary to the Enforcement Division of the Commission (“**ENF**”) dated 8 May 2020, the Commission’s Board had considered the Resumption Application at its meeting on 7 May 2020. The said meeting was adjourned for the Board to seek clarifications from ENF on several questions.

According to a letter from the Commission Secretary to the ENF and the Company dated 5 March 2021, the Commission’s Board had considered the Resumption Application at its adjourned meeting on 22 February 2021. The said meeting was again adjourned pending further information from the Company.

The Company understands that up to the Latest Practicable Date the Commission’s Board has not made a decision on the Resumption Application and may seek further information from the Company.

The suspension of trading

The Shares have been suspended from trading on the Stock Exchange since 14 February 2013.

As previously provided in the Company’s announcement on 18 June 2019, the Stock Exchange had confirmed that it would, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(ii) should the trading in the Shares remain suspended on 31 July 2019.

As of the Latest Practicable Date, the Company has not received any notice from the Stock Exchange stating that it is proceeding to delist the Company.

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We remind the Qualifying Shareholders that if the listing status of the Company is eventually cancelled by the Stock Exchange, they will be holding the Shares of an unlisted public/private company, where trading of the Shares will no longer be easily accessible and no information transparency as compared to the platform offered by the Stock Exchange.

Accordingly, despite the fact that the Offer Price represents a discount of approximately 99% compared to the closing price of the Shares before trading was suspended on 14 February 2013, we are of the view that the Partial Offer presents an opportunity for Qualifying Shareholders to exit, with the suspension of the trading in the Shares in place until the Company remedies the issues causing its trading suspension.

5. Evaluation on the Offer Price

(a) *The Offer Price*

The Offer Price of HK\$0.01 per Offer Share represents:

- (i) a discount of approximately 99.3% to the closing price of HK\$1.37 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 99.3% to the closing price of HK\$1.37 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 99.3% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on the Last Full Trading Date;
- (iv) a discount of approximately 99.3% to the average of the closing prices of the Shares of approximately HK\$1.52 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Full Trading Date;
- (v) a discount of approximately 99.4% to the average of the closing prices of the Shares of approximately HK\$1.54 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Full Trading Date;
- (vi) a discount of approximately 99.4% to the average of the closing prices of the Shares of approximately HK\$1.61 as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Full Trading Date;
- (vii) a discount of approximately 98.8% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.8598 as at 31 December 2023, calculated based on the audited consolidated net asset value of the Company attributable to Shareholders of approximately RMB676,424,000 as

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at 31 December 2023 and 852,612,470 Shares in issue as at the Latest Practicable Date, and a RMB: HKD forex rate of 1:1.0837 as quoted by Hong Kong Association of Banks as at the Latest Practicable Date; and

- (viii) a discount of approximately 98.9% to the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.8854 as at 30 June 2024, calculated based on the unaudited consolidated net asset value of the Company attributable to Shareholders of approximately RMB696,584,000 as at 30 June 2024 and 852,612,470 Shares in issue as at the Latest Practicable Date, and a RMB: HKD forex rate of 1:1.0837 as quoted by Hong Kong Association of Banks as at the Latest Practicable Date.

Highest and lowest Share prices

The Shares has been suspended from trading since 14 February 2013 (i.e. the Last Trading Day) and over the six-month period immediately before the date of the Latest Practicable Date. During the six-month period immediately preceding and including the Last Trading Day (i.e. from 15 August 2012 to 14 February 2013):

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.93 per Share on 23 and 24 August 2012; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.31 per Share on 17 December 2012.

(b) Comparison of Offer Price against NAV per Share

We noted that the net asset value attributable to the Shareholders per Share (“NAV per Share”) was approximately HK\$0.98 (equivalent to approximately RMB0.91 based on an exchange rate of RMB1=HK\$1.0862 as published by the Hong Kong Association of Banks on its website on 28 June 2024) as at 30 June 2024 and HK\$0.99 (equivalent to approximately RMB0.89 based on an exchange rate of RMB1=HK\$1.110 as published by the Hong Kong Association of Banks on its website on 29 December 2023) as at 31 December 2023, respectively. The Offer Price of HK\$0.01, represents the discount of approximately 99% to the NAV per Share of the Group. As the share price has been stopped regarding to the suspension of share trading in 2013, the closing share price of the Last Trading Day HK\$1.37 per Share represented the premium of approximately 39.2% to the NAV per Share. We noted that the Offer Price of HK\$0.01 to the Offer Shareholders is less favourable than the closing price of the Shares of HK\$1.37 as of Latest Practicable Date, which represented at a premium of approximately 39.2% of the NAV per Share.

We also noted that (i) the asset of the Group as at 30 June 2024 and 31 December 2023 mainly consist of tangible asset; and (ii) the Group’s NAV, remained a level between approximately RMB758.2 million and RMB776.0 million for as at as at 30 June 2024 and 31 December 2023 as discussed in the section “Financial position of the Group” in this letter of advice. We, after considering (i) the nature of assets of the Group, (ii) the steady NAV per

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share for the Group, and (iii) the discount of approximately 99% to the NAV per Share of the Group for the Offer Price, are of the view that the Offer price is not fair and reasonable when comparing with the NAV per Share of the Group.

(c) Trading volume and historical performance of the Shares

Taking into account the fact that the Shares have been suspended from trading on the Stock Exchange since 14 February 2013. Therefore, we are of the view that a comparable analysis may not be applicable in assessing the fairness and reasonableness of the Partial Offer.

(d) Comparison against comparable companies

According to an article published in 2025 as the CFA Program Level II Curriculum on the website of CFA Institute (<https://www.cfainstitute.org/insights/professional-learning/refresher-readings/2025/market-based-valuation-price-enterprise-value-multiples>), headed “Market-Based Valuation: Price and Enterprise Value Multiples”, price multiples are most frequently applied to valuation in the method of comparable. We consider this article a credible source, as the CFA Institute is a globally recognized organization that provides investment professionals with education, ethical standards, and certification programs. This method involves using a price multiple to evaluate whether an asset is relatively undervalued, fairly valued, or overvalued in relation to a benchmark value of the multiple. Among the price multiples, commonly used multiples include the price to book ratio (“**P/B**”) and price to earnings ratio (“**P/E**”).

We have selected the P/B and P/E for the purpose of the comparable company analysis because we consider such ratios to be suitable valuation methodologies as they are common financial analysis tools used to evaluate companies with a proven track record. We have also considered price-to-sales ratio analysis. Nonetheless, we noted that not all comparable companies are profit-making, and that the conditions of a profit-making company like the Company and a loss-making company could be different. We also considered that the P/E Ratio is a better alternative than the price-to-sales ratio for the purpose of this analysis as while the former also emphasizes financial performance of the companies, it screens out loss-making companies which could have different operational and financial conditions than profit-making companies like the Company, such that the comparison could be more meaningful. Therefore, we did not adopt the price-to-sales ratio comparison in our analysis.

As the price multiples analysis is a commonly adopted valuation method in the market generally applicable to different industries, to further assess the fairness and reasonableness of the Offer Price, we have attempted to identify the comparable companies (the “**Comparable Companies**”) which are (i) listed on the Main Board of the Stock Exchange, (ii) principally engaged in materials businesses which specialize in specialty chemicals, with over 75% of total revenue for latest full financial year being generated from the aforesaid business; (iii) with market capitalisation of between HK\$500 million and HK\$2 billion as at the Latest Practicable Date; and (iv) without suspension of trading on the Latest Practicable Date, given that (a) over 75% of the revenue of the Group is generated from materials businesses which specialize in specialty chemicals for the year ended 31 December 2023; and (b) the market capitalisation of

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the Company was approximately HK\$1.17 billion as at the Last Trading Day (based on the total issued shares of 852,612,470 Shares and the closing price per Share as at Latest Practicable Date of HK\$1.37). Based on the above selection criteria, we have identified five Comparable Companies and we consider those Comparable Companies to be fair, representative and exhaustive samples. Nevertheless, it should be noted that the operations and prospects of the Comparable Companies are not the same as the Company and we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies, the Comparable Companies are in the same industry of specialty chemicals.

The following table sets out (a) the P/B and P/E of the Comparable Companies based on their closing share price as at the Latest Practicable Date and their latest published financial information; and (b) the implied P/B and P/E of the Company based on the Offer Price and its latest published financial information:

Company Name	Stock Code	Principal Business	Market Cap	P/E Ratio	P/B Ratio
Yip's Chemical Holdings Limited	00408	principally engaged in chemical businesses	854,443,947	14.10	0.22
Tiande Chemical Holdings Ltd	00609	principally engaged in the chemical business	1,000,256,520	3.89	0.35
Infinity Development Holdings Company Limited	00640	principally engaged in the trading of adhesives	540,817,033	5.39	0.93
Tsaker New Energy Tech Co Ltd	01986	principally engaged in the manufacture and sale of dye and agricultural chemical intermediates	718,479,320	14.32	0.32
Wuhan Youji Holdings Ltd	02881	primarily engaged in the production toluene derivatives	585,924,000	7.24	1.00
	Average			8.99	0.56
	Maximum			14.32	1.00
	Minimum			3.89	0.22
	Median			7.24	0.35
The Company	01863	principally engaged in chemical materials businesses		0.13	0.01

Source: the Stock Exchange web-site (www.hkex.com.hk)

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Having consider the Comparable Companies to be relevant for comparison purpose as the Comparable Companies (i) are engaged in business similar to the Group; (ii) have similar market capitalisation as the Group; (iii) are listed on the Stock Exchange and hence share similar market sentiment of the Company; and (iv) represent an exhaustive list of companies meeting the aforementioned criteria, we are of the view that the Comparable Companies are comparable and representative for our analysis purpose.

As discussed in section “Comparison of price to earning ratio of the Offer Price against historical PE Ratio” above, the Implied P/E Ratio of the Company implied by the Offer Price is approximately 0.13 times. As set out in the table above, the P/E Ratio of the Comparable Companies ranged from approximately 3.89 times to approximately 14.32 times (the “**Comparable P/E Range**”) with an average of approximately 8.99 times (the “**Comparable Average P/E**”) and a median of approximately 7.24 times (the “**Comparable Median P/E**”). Given that the Implied P/E Ratio is not only lower than both the Comparable Average P/E and the Comparable Median P/E but also falls outside the Comparable P/E Range, this indicates that the Offer Price is significantly undervalued when compared to industry peers. As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

Based on the Offer Price of HK\$0.01 per Offer Share and the total number of issued Shares of 852,612,470 as at the Latest Practicable Date, the Company is valued at approximately HK\$8.5 million. The P/B Ratio of the Company implied by the Offer Price is approximately 0.01 times (the “**Implied P/B Ratio**”) based on the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$841.6 million as at 31 December 2023 (equivalent to approximately RMB758.2 million based on an exchange rate of RMB1=HK\$1.110 as published by the Hong Kong Association of Banks on its website on 29 December 2023). As set out in the table above, the P/B Ratio of the Comparable Companies ranged from approximately 0.22 times to approximately 1.00 times (the “**Comparable P/B Range**”) with an average of approximately 0.56 times (the “**Comparable Average P/B**”) and a median of approximately 0.35 times (the “**Comparable Median P/B**”). Given that the Implied P/B Ratio is not only lower than both the Comparable Average P/B and the Comparable Median P/B but also falls outside the Comparable P/B Range, this indicates that the Offer Price is significantly undervalued when compared to industry peers. As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned

(e) Comparison against partial offer precedents

For the purpose of our analysis of the Offer Price, we have attempted to identify the partial cash offer comparable cases (the “**Partial Cash Offer Comparables**”) based on the following criteria: (i) the company subject to the partial offer is publicly listed on the Stock Exchange; (ii) the partial cash offer comparable cases were first announced during the period of one year before the Latest Practicable Date and including the Latest Practicable Date; and (iii) the partial cash offer comparable cases were not lapsed.

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Company Name	Stock Code	First announced by the offeror	% of maximum size of total issued shares of the offer	% of holdings of offeror and parties acting in concert with it immediately after the closing of the partial offer	The offer price to the closing price per Share on the latest practicable date	The offer price to the closing price per Share on the last trading day	The offer price to the average of the closing price per Share for the last five consecutive trading days up to and including the last trading date	The offer price to the audited consolidated net asset value per Share attributable to the Shareholders
Hunlicar Group Limited	03638	20/2/2025	25.11%	50.16% (Note 1)	- 11.24%	- 11.07%	- 12.69%	23.29%
Greentech Technology International Limited	00195	14/1/2025	15%	0.93%	- 50%	- 50%	- 65.09%	- 80.97%
Elife Holdings Limited	00223	1/11/2024	5%	5.58% (Note 2)	0.90%	- 7.60%	- 11.30%	20.20%
China Tontine Wines Group Ltd	00389	12/6/2024	10%	14.90%	11.10%	0%	0.67%	- 59.41%
Hengdeli Holdings Limited	03389	20/6/2024	15%	61.66%	14.30%	18.50%	19.20%	- 80%
Average					- 6.99%	- 10.03%	- 13.84%	- 35.38%
Maximum					14.30%	18.50%	19.20%	23.29%
Minimum					- 50.00%	- 50.00%	- 65.09%	- 80.97%
Median					0.90%	- 7.60%	- 11.30%	- 59.41%
The Company	01863	11/2/2025		10.00%	- 99.30%	- 99.30%	- 99.30%	- 98.80%

Note 1: Assuming the Maximum Number of Offer Shares is tendered for acceptance by the Qualifying Shareholders under the Partial Offer as it has not yet closed on the Latest Practicable Date

Note 2: The Offer Shares is tendered for acceptance by the Qualifying Shareholders under the Partial Offer as it has not yet closed on the Latest Practicable Date

Having consider the Partial Cash Offer Comparables to be relevant for comparison purpose as the Partial Cash Offer Comparables (i) are engaged in partial cash offer similar to the Group; (ii) are engaged within a year and have been closed partial offer; (iii) are listed on the Stock Exchange; and (iv) represent an exhaustive list of companies meeting the aforementioned criteria, we are of the view that the Partial Cash Offer Comparables are comparable and representative for our analysis purpose.

As discussed in section “Comparison of the offer price to the closing price per Share on the latest practicable date” above, the offer price to the closing price per Share on the latest practicable date (the “**LPD Price**”) of the Company implied by the Offer Price represent a discount of approximately 99.3% to the closing price of HK\$1.37 per Share as quoted on the Stock Exchange on the Latest Practicable Date. As set out in the table above, the LPD Price of the Partial Cash Offer Comparables ranged from a discount of approximately 50% to a premium of approximately 14.30% (the “**Comparable LPD Price Range**”) with an average of a discount of approximately 6.99% (the “**Comparable Average LPD Price**”) and a median of a premium of approximately 0.90% (the “**Comparable Median LPD Price**”). Given that the

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LPD Price is not only discount the most than both the Comparable Average LPD Price and the Comparable Median LPD Price but also falls outside the Comparable LPD Price Range, this indicates that the Offer Price is significantly discounted to closing price per Share on the Latest Practicable Date when compared to the companies engaged in Partial Cash Offer Comparables. As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

As mentioned in section “Comparison of the offer price to the closing price per Share on the last trading day” above, the offer price to the closing price per Share on the last trading day (the “**LTD Price**”) of the Company implied by the Offer Price represent a discount of approximately 99.3% to the closing price of HK\$1.37 per Share as quoted on the Stock Exchange on the Last Trading Day. As set out in the table above, the LTD Price of the Partial Cash Offer Comparables ranged from a discount of approximately 50% to a premium of approximately 18.50% (the “**Comparable LTD Price Range**”) with an average of a discount of approximately 10.03% (the “**Comparable Average LTD Price**”) and a median of a discount of approximately 7.60% of the offer price to the closing price per Share on the last trading day (the “**Comparable Median LTD Price**”). Given that the LTD Price is not only discount the most than both the Comparable Average LTD Price and the Comparable Median LTD Price but also falls outside the Comparable LTD Price Range, this indicates that the Offer Price is significantly discounted to closing price per Share on the Last Trading Day when compared to the companies engaged in Partial Cash Offer Comparables. As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

In the section of “Comparison of the offer price to the closing price per Share for the last five consecutive trading days up to and including the last trading date” above, the offer price to the average of the closing price per Share for the last five consecutive trading days up to and including the Last Trading Date (the “**Last Five Consecutive Trading Days Price**”) of the Company implied by the Offer Price represent a discount of approximately 99.3% to the closing price of approximately HK\$1.52 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Full Trading Date. As set out in the table above, the Last Five Consecutive Trading Days Price of the Partial Cash Offer Comparables ranged from a discount of approximately 65.09% to a premium of approximately 19.20% (the “**Comparable Last Five Consecutive Trading Days Price Range**”) with an average of a discount of approximately 13.84% (the “**Comparable Average Last Five Consecutive Trading Days Price**”) and a median of a discount of approximately 11.30% (the “**Comparable Median Last Five Consecutive Trading Days Price**”) of the offer price to average of the closing price per Share for the last five consecutive trading days up to and including the Last Trading Date. Given that the Last Five Consecutive Trading Days Price is not only discount the most than both the Comparable Average Last Five Consecutive Trading Days Price and the Comparable Median Last Five Consecutive Trading Days Price but also falls outside the Comparable Last Five Consecutive Trading Days Price Range, this indicates that the Offer Price is significantly discounted to closing price per Share for the last five consecutive trading days up to and including the Last Full Trading Date when compared to the companies engaged in Partial Cash Offer Comparables. As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

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Based on the Offer Price of HK\$0.01 per Offer Share and the total number of issued Shares of 852,612,470 as at the Latest Practicable Date, the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.8598 as at 31 December 2023, calculated based on the audited consolidated net asset value of the Company attributable to Shareholders of approximately RMB676,424,000 as at 31 December 2023, and a RMB: HKD forex rate of 1:1.0837 as quoted by Hong Kong Association of Banks as at the Latest Practicable Date. The offer price to the audited consolidated net asset value per Share attributable to the Shareholders (the “**NAV per Share Price**”) of the Company implied by the Offer Price represent a discount of approximately 98.8% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.8598 as at 31 December 2023, calculated based on the audited consolidated net asset value of the Company attributable to Shareholders of approximately RMB676,424,000 as at 31 December 2023 and 852,612,470 Shares in issue as at the Latest Practicable Date, and a RMB: HKD forex rate of 1:1.0837 as quoted by Hong Kong Association of Banks as at the Latest Practicable Date. As set out in the table above, the NAV per Share Price of the Partial Cash Offer Comparables ranged from a discount of approximately 80.97% to a premium of approximately 23.29% (the “**Comparable NAV per Share Price Range**”) with an average of a discount of approximately 35.38% (the “**Comparable Average NAV per Share Price**”) and a median of a discount of approximately 59.41% (the “**Comparable Median NAV per Share Price**”) of the offer price to the audited consolidated net asset value per Share attributable to the Shareholders. Given that the NAV per Share Price is not only discount the most than both the Comparable Average NAV per Share Price and the Comparable Median NAV per Share Price but also falls outside the Comparable NAV per Share Price Range, this indicates that the Offer Price is significantly discounted to the audited consolidated net asset value per Share attributable to the Shareholders when compared to the companies engaged in Partial Cash Offer Comparables. As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

(f) Conclusion

In conclusion, we noted that:

- (i) the Offer Price represents a significant discount of approximately 99% to the closing prices on the Latest Practicable Date, the Last Trading Day, the Last Full Trading Date and last five, ten and thirty consecutive trading days up to and including the Last Full Trading Date as discussed in paragraphs headed “5(a) The Offer Price” in this letter;
- (ii) the Offer Price represents a significant discount of approximately 99% of the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.89 as at 30 June 2024, as discussed in paragraphs headed “5(a) The Offer Price” in this letter;

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- (iii) the Offer Price of HK\$0.01 to the Offer Shareholders is less favourable than the closing price of the Shares of HK\$1.37 as of Latest Practicable Date, which represented at a premium of approximately 39.2% of the NAV per Share, as discussed in paragraphs headed “5(b) Comparison of Offer Price against NAV per Share” in this letter;
- (iv) the Implied P/E Ratio and Implied P/B Ratio of approximately 0.13 times and 0.01 times, respectively, are significantly lower than the Comparables Companies, as discussed in the paragraphs headed “5(d) Comparison against comparable companies” in this letter; and
- (v) the LPD Price, LTD Price, Last Five Consecutive Trading Days Price and NAV per Share Price are discount of approximately 99.3%, 99.3%, 99.3% and 98.8%, respectively, are significantly lower than the Partial Cash Offer Comparables, as discussed in the paragraphs headed “5(e) Comparison against partial offer precedents” in this letter.

As such, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

V. RECOMMENDATION

Based on the foregoing, having considered the aforementioned principal factors and reasons for the Partial Offer, we noted that:

- (i) the Group recorded increasing profit attributable to owners of the Company for the two years ended 31 December 2022 and 2023, and the positive prospects of the Group, as discussed in the paragraphs headed “4(a) Business performance and prospects of the Group” in this letter;
- (ii) the Shares have been suspended for over 10 years since 14 February 2013, with no dividends distributed since the suspension;
- (iii) despite the fact that the Offer Price represents a significant discount of approximately 99% compared to the closing price of the Shares before trading was suspended on 14 February 2013, the Partial Offer presents an opportunity for the Qualifying Shareholders who merely want to exit irrespective of the price, with the suspension of the trading in the Shares in place until the Company remedies the issues causing its trading suspension, as discussed in the paragraphs headed “4(b) The suspension of trading and the regulatory concerns of the SFC” in this letter;

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- (iv) the Offer Price represents a significant discount of approximately 99% to the closing prices on the Latest Practicable Date, the Last Trading Day, the Last Full Trading Date and last five, ten and thirty consecutive trading days up to and including the Last Full Trading Date as discussed in paragraphs headed “5(a) The Offer Price” in this letter;
- (v) the Offer Price represents a significant discount of approximately 99% of the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.89 as at 30 June 2024, as discussed in paragraphs headed “5(a) The Offer Price” in this letter;
- (vi) the Offer Price of HK\$0.01 to the Offer Shareholders is less favourable than the closing price of the Shares of HK\$1.37 as of Latest Practicable Date, which represented at a premium of approximately 39.2% of the NAV per Share, as discussed in paragraphs headed “5(b) Comparison of Offer Price against NAV per Share” in this letter;
- (vii) the Implied P/E Ratio and Implied P/B Ratio of approximately 0.13 times and 0.01 times, respectively, are significantly lower than the of the Comparables Companies, as discussed in the paragraphs headed “5(d) Comparison against comparable companies” in this letter;
- (viii) the LPD Price, LTD Price, Last Five Consecutive Trading Days Price and NAV per Share Price of discount of approximately 99.3%, 99.3%, 99.3% and 98.8%, respectively, are significantly lower than the Partial Cash Offer Comparables, as discussed in the paragraphs headed “5(e) Comparison against partial offer precedents” in this letter; and
- (ix) if the listing status of the Company is eventually cancelled by the Stock Exchange, the Qualifying Shareholders will be holding the Shares of an unlisted public/private company, where trading of the Shares will no longer be easily accessible and no information transparency as compared to the platform offered by the Stock Exchange.

While the Partial Offer provides an exit opportunity for Qualifying Shareholders, particularly given that the Shares have been suspended for over 10 years with no dividends distributed during this period, the significant discount for the Offer Price of approximately 99% to various valuation benchmarks – including the historical trading price, net asset value per Share, P/E Ratio, and P/B Ratio – renders the Offer Price unreasonable. The Offer Price of HK\$0.01 per Share represents a substantial discount to the closing price before suspension, and the unaudited consolidated net asset value per Share as at 30 June 2024. Additionally, the Implied P/E Ratio of 0.13 times and Implied P/B Ratio of 0.01 times are significantly lower than those of comparable companies, further demonstrating that the Offer Price does not reflect the Company’s financial position. The Offer Price is also less favorable when compared to the Partial Cash Offer Comparables, reinforcing our view that the Offer Price are unjustifiably low.

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If the listing status of the Company is eventually canceled, the Qualifying Shareholders would face the additional risk of holding the Shares in an unlisted public or private company, where trading opportunities would be severely limited and transparency significantly reduced. However, even under this risk, accepting the Partial Offer at such an extreme discount does not adequately compensate shareholders for the true value of their investment or the potential prospects of the Group. By accepting the Partial Offer, the Shareholders would effectively forgo the opportunity to benefit from any future recovery or resolution of the trading suspension at a fair valuation.

Having considered the principal factors and reasons set out above, we are of the view that the Partial Offer is not fair and reasonable so far as the Qualifying Shareholders are concerned. Given the substantial undervaluation of the Offer Price relative to key financial and market benchmarks, we believe that accepting the Partial Offer would not be in the interests of the Qualifying Shareholders. As such, we are of the view that the Partial Offer is not fair and reasonable so far as the Qualifying Shareholders are concerned. On this basis, we do not recommend the Independent Board Committee to recommend, and we ourselves do not recommend, the Qualifying Shareholders to accept the Partial Offer.

Notwithstanding our recommendations, the Qualifying Shareholders are strongly advised that the decision to accept the Partial Offer or to dispose their investments in the Shares is subject to individual circumstances and investment objectives. As different Qualifying Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of the Offer 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 before making the decision to, whether or not, accept the Partial Offer.

We remind the Qualifying Shareholders that if the listing status of the Company is eventually cancelled by the Stock Exchange, they will be holding the Shares of an unlisted public/private company, where trading of the Shares will no longer be easily accessible and no information transparency as compared to the platform offered by the Stock Exchange.

The Qualifying Shareholders also should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Furthermore, the Qualifying Shareholders are also reminded to read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document, the appendices to the Offer Document and the Form of Acceptance, if they wish to accept the Partial Offer.

The Qualifying Shareholders should be aware that the Partial Offer is subject to the satisfaction of the Conditions. Accordingly, the Partial Offer may or may not become unconditional. The Qualifying Shareholders should therefore exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Director

Yours faithfully,
For and on behalf of
VBG Capital Limited
Sing Ruoh Chi
Managing Director

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Mr. Yau Tung Shing is a licensed person and responsible officer of Silverbricks Securities Company Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the (under the licensing condition that in the capacity as an adviser to a client on matters/transactions falling within the ambit of the Takeovers Code, act together with another adviser) SFO and has over 8 years of experience in the corporate finance industry.

Ms. Sing Ruoh Chi is a licensed person and responsible officer of VBG Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO with sole license on Takeovers Code related advisory work and has over 21 years of experience in corporate finance industry.

1. SUMMARY OF THE FINANCIAL INFORMATION

Set out below is a summary of (i) the audited consolidated financial results of the Group for the three financial years ended 31 December 2021, 2022, 2023, respectively; and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 June 2024, as extracted from the relevant published annual report and interim report of the Company for the relevant years and period, respectively. The annual results for the year ended 31 December 2024 are expected to be announced on or around 28 March 2025.

	For the year ended 31 December			For the six months ended 30 June 2024
	2023	2022	2021	
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Revenue	933,930	926,621	1,441,015	532,153
Cost of sales	(747,892)	(780,301)	(1,180,547)	(439,418)
GROSS PROFIT	186,038	146,320	260,468	92,735
Other income and gains	13,250	23,822	10,941	17,649
Selling and distribution costs	(36,267)	(31,579)	(42,319)	(23,160)
Administrative expenses	(83,188)	(77,116)	(92,877)	(58,300)
Share of profit/(loss) of an associate	(38)	(65)	(11)	164
Other expenses	(1,754)	(1,996)	(6,518)	(1,871)
PROFIT FROM OPERATIONS	78,041	59,386	129,684	27,217
Fair value loss on investment properties	(2,061)	(566)	(1,004)	–
(Loss)/gain on revaluation of property, plant and equipment	(2,184)	4,426	5,594	–
Gain/(loss) on fair value changes at financial assets at fair value through profit or loss	13	(20)	(40)	–
Impairment of trade receivables	(158)	–	–	–
Impairment of inventory	(1,212)	(1,274)	(745)	–
Finance costs	(7,786)	(13,094)	(15,673)	(4,367)

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the year ended 31 December			For the six months ended 30 June 2024
	2023	2022	2021	
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
PROFIT BEFORE TAX	64,653	48,858	117,816	22,850
Income tax expense	<u>(6,008)</u>	<u>(4,339)</u>	<u>(11,631)</u>	<u>(5,059)</u>
PROFIT FOR THE YEAR/ PERIOD	58,645	44,519	106,185	17,791
Other comprehensive income/ (expense) after tax:				
<i>Items that will not be reclassified to profit or loss:</i>				
Exchange differences on translation of the Company	2,613	3,616	1,666	2,109
Gain on revaluation of property, plant and equipment	16,362	26,734	27,682	–
Deferred tax effect arising on revaluation of property, plant and equipment	(2,455)	(4,024)	(4,152)	–
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences on translation of the foreign operations	<u>(2,438)</u>	<u>(4,346)</u>	<u>(1,420)</u>	<u>(2,102)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	<u>72,727</u>	<u>66,499</u>	<u>129,961</u>	<u>17,798</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:				
Owners of the Company	63,000	46,188	106,932	20,153
Non-controlling interests	<u>(4,355)</u>	<u>(1,669)</u>	<u>(747)</u>	<u>(2,362)</u>
	<u>58,645</u>	<u>44,519</u>	<u>106,185</u>	<u>17,791</u>

	For the year ended 31 December			For the six months ended 30 June 2024
	2023	2022	2021	
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
TOTAL COMPREHENSIVE INCOME/(EXPENSE)				
Owners of the Company	77,082	68,168	130,708	20,160
Non-controlling interests	(4,335)	(1,669)	(747)	(2,362)
	<u>72,727</u>	<u>66,499</u>	<u>129,961</u>	<u>17,798</u>
EARNINGS PER SHARE (RMB cents)				
– Basic	<u>7.39</u>	<u>5.42</u>	<u>12.54</u>	<u>2.36</u>
– Diluted	<u>7.39</u>	<u>5.42</u>	<u>12.54</u>	<u>2.36</u>

No dividend was paid or proposed by the Company during each of the three financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

As disclosed in the annual report of the Company for the year ended 31 December 2021, during that financial year, the Company invested approximately RMB30 million (representing 51% of the total registered capital) in a newly formed subsidiary, Fujian Sijia New Materials Technology Co., Limited. Save as disclosed above, there are no items of any income or expense which are material to the Company for the last three financial years for which financial information has been published.

2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below are the latest published and consolidated financial statements of the Group for the three financial years ended 31 December 2021, 2022 and 2023, respectively, which are contained in the annual reports of the Company for the year ended 31 December 2021, 2022 and 2023, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024, which are contained in the interim report of the Company for the period ended 30 June 2024, and have been published on the websites of the Company (<https://www.chinalongevity.hk/s/index.php>) and the Stock Exchange (www.hkexnews.hk).

- the annual report of the Company for the year ended 31 December 2021 (pages 71 to 138), which is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803049.pdf>

- the annual report of the Company for the year ended 31 December 2022 (pages 80 to 176), which is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042802647.pdf>
- the annual report of the Company for the year ended 31 December 2023 (pages 81 to 152), which is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042601902.pdf>
- the interim report of the Company for the six months ended 30 June 2024 (pages 13 to 29), which is accessible via the following hyperlink:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0920/2024092000517.pdf>

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the reports of the auditors of the Company in respect of each of the three years ended 31 December 2021, 2022 and 2023 respectively.

3. INDEBTEDNESS STATEMENT OF THE GROUP

As at 31 January 2025, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the publication of this Response Document, the indebtedness of the Group was as follows:

- bank borrowings: the Group had secured and guaranteed bank borrowings of approximately RMB613.74 million, such borrowings were secured by the Group's assets; and unsecured and guaranteed bank borrowings of approximately RMB105.50 million;
- other borrowings: the Group had bills payables of approximately RMB169.45 million;
- lease liabilities: the Group's lease liabilities were approximately RMB3.40 million. These lease liabilities mainly consisted of rental of offices and warehouses; and
- capital commitment: the Group's capital commitment were approximately RMB111.23 million. These amounts represent capital expenditure of the Group contracted but not provided for in respect of acquisition of property, plant and equipment and capital contribution to an associate.

Save as aforesaid and apart from intra-group liabilities, normal trade payables and contract liabilities in the normal course of business, as at 31 January 2025, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding or agreed to be issued, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

4. MATERIAL CHANGES IN RESPECT OF THE GROUP

The Directors confirmed that since 31 December 2023, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date, there was no material change in the financial or trading position or outlook of the Group and the general trend of the business of the Group.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite and conventional materials; and (ii) PVC and Non-PVC composite materials of floorings and wall panels. The Group's high-performance PVC composite materials (the **"Material Products"**) business, located in Fuzhou and Shanghai, utilizes self-developed equipment and processes that have been granted national invention patents in manufacturing new materials, including drop stitch fabric, architectural film, waterproofing film, marquees materials, air tightness materials, inflatable boats materials and inflatable materials. The Group's eco-friendly building materials (the **"Building Material Products"**) business, located in Fuzhou, sells products across the world (including Taiwan, Germany, the United States and Canada) which are applicable in a wide spectrum of public and household domains, including education, healthcare, commerce, sports, offices, industrial usage and transportation which are in compliance with European Union and United States standards and environmental requirements under the brands of "Zero Formaldehyde Super Core Flooring" and "Carbon Crystal Stone Wall Panel".

As disclosed in the Company interim report for the six months' period ended 30 June 2024, the Group's revenue generated from Material Products amounted to approximately RMB482.0 million (30 June 2023: RMB406.8 million) which accounted for approximately 90.6% (30 June 2023: 90.9%) of the Group's total revenue, representing an increase in sales of approximately 18.5%, and the Group's revenue generated from the Building Material Products amounted to approximately RMB50.1 million (30 June 2023: RMB40.9 million) which accounted for approximately 9.4% (30 June 2023: 9.1%) of total revenue, representing an increase in sales of approximately 22.6%.

During a period of continued global inflation, geopolitical tensions, energy crises, and other challenges, the Group actively responded to national policies by determining and adhering to the development policy of "prudent operation, green development, continuous innovation, and pursuit of excellence." The Group ensured its stable operation through prudent operational strategies while seeking breakthroughs in green development, technological innovation, and other aspects to prepare for various challenges.

In the report on the implementation of the 2023 National Economic and Social Development Plan and the draft for the 2024 National Economic and Social Development Plan by the National Development and Reform Commission, the main tasks for the 2024 National Economic and Social Development Plan include leading the development of a modern industrial system through technological innovation, accelerating the formation of new productive forces, expanding domestic demand, and further leveraging the key role of consumption and investment. The development of the Group's products is closely related to national economic development, and the industry will also see new development opportunities.

The Group will continue to upgrade its overall business and operating models with innovative technologies and up to date management:

1. vigorously developing ecological building materials products, further expanding overseas markets, speeding up deployment in the Chinese building materials market, and promoting the “Sijia super energy core” brand;
2. reinforcing the development of new materials business while developing new products actively, and exploring new application areas and new markets;
3. achieving the goals of digitalization of operation, efficient horizontal/vertical collaboration, integration of business and finance, as well as “refinement, profitability and standardization” of management in a phased manner, in order to capture the high ground in the new competitive dimension of the industry;
4. comprehensively implementing seven major development strategies: talent, safety, green, R&D, digitalization, supply chain management, and cultural strategies;
5. completing the first phase of the Fuqing Industrial Park project, with production operations entering the right track in the first phase;
6. establishing a safety management center of the Group to promote the informationisation and centralized management of safety management in various subsidiaries;
7. implementing a high-level talent training plan, nurturing technical R&D and digital talents to lead the future development of business units;
8. establishing an internal control audit center to continuously optimize internal control processes in procurement, production, sales, finance, and to improve operational efficiency;
9. establishing an Intelligent Manufacturing Technology Research Institute to promote the intelligent and automated transformation of production equipment in various subsidiaries;
10. enhancing the protection of intellectual property rights for new technologies and new processes, applying for more technology patents, building up the most innovative technology-based group in the industry, and creating value for the shareholders of the Company;
11. deepening the corporate culture construction of “Jia culture,” optimizing employee care work, conducting more cultural and sports activities, training activities, and promoting employees’ growth with the Group; and
12. actively fulfilling due corporate responsibilities, and actively participate in events of rural revitalization and hometown caring, participating in activities such as “1,000 enterprises helping 1,000 villages” and targeted education assistance for poverty alleviation.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document the omission of which would make any statement herein misleading.

As regards the information in this Response Document relating to the Offeror and parties acting in concert with him, the terms of the Partial Offer and the intention of the Offeror regarding the Group that has been compiled or summarised from the Offer Document, the Directors' responsibility is limited to the correctness and fairness of the extraction of such information and/or its reproduction or presentation.

2. SHARE CAPITAL

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

<i>Authorised share capital:</i>		<i>RMB</i>
<u>2,000,000,000</u>	ordinary shares of HK\$0.001 each	<u>1,760,000</u>
<i>Issued and paid-up share capital:</i>		
<u>852,612,470</u>	ordinary shares	<u>747,000</u>

As at the Latest Practicable Date, there were no outstanding share options granted, exercised, lapsed and cancelled.

As at the Latest Practicable Date, the Company had no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

All the Shares in issue are fully paid up and rank pari passu in all respects among themselves, including all rights in respect of dividends, voting and interest in capital.

The number of Shares in issue as at 31 December 2023, being the date to which the latest audited consolidated financial statements of the Group were made up, was 852,612,470.

Since 31 December 2023 and up to the Latest Practicable Date:

- (a) the Company had not issued any Shares, options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer rights to the holders thereof to subscribe for, convert or exchange into Shares) and had not entered into any agreement for the issue of any of such securities; and
- (b) no Shares had been issued or bought back by the Company or any of its subsidiaries.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or which were required to be disclosed in this Response Document pursuant to the Takeovers Code.

(b) Interests of substantial shareholders in Shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares and/or underlying Shares held ⁽¹⁾	Approximate percentage of shareholdings ⁽²⁾
Hopeland International Holdings Company Limited	Beneficial owner	410,886,000 (L)	48.19%
Mr. Lin Shengxiong	Interest in controlled corporation ⁽³⁾	410,886,000 (L)	48.19%
Ms. Lin Hongting	Interest of spouse ⁽⁴⁾	410,886,000 (L)	48.19%
Glory Bright Investments Enterprise Limited	Beneficial owner	59,011,000 (L)	6.92%
Mr. Lin Wanpeng	Interest in controlled corporation ⁽⁵⁾	59,011,000 (L)	6.92%
Ms. Wang Huiqing	Interest of spouse ⁽⁶⁾	59,011,000 (L)	6.92%

Notes:

1. The letter “L” denotes long position in the Shares or underlying Shares.
2. The percentage of shareholding is calculated on the basis of 852,612,470 Shares in issue as at the Latest Practicable Date.
3. As at the Latest Practicable Date, Mr. Lin Shengxiong through his 100% equity interest in Hopeland International Holdings Company Limited held 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company. Mr. Lin Shengxiong is a former executive Director of the Company and resigned on 1 December 2022.
4. As at the Latest Practicable Date, Ms. Lin Hongting, the spouse of Mr. Lin Shengxiong is deemed to be interested in 410,886,000 shares of the Company, representing approximately 48.19% of the entire issued share capital of the Company.
5. Glory Bright Investments Enterprise Limited is beneficially owned by Mr. Lin Wanpeng an independent third party. As at the Latest Practicable Date, Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.
6. As at the Latest Practicable Date, Ms. Wang Huiqing, the spouse of Mr. Lin Wanpeng is deemed to be interested in 59,011,000 shares of the Company, representing approximately 6.92% of the entire issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, there was no other person who had an interest or short position in Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF INTERESTS AND DEALINGS

- (a) Save for the interests of the Directors as disclosed in paragraph 3(a) of this Appendix, none of the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date and none of the Directors had dealt in any shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.
- (b) None of the subsidiaries of the Company and pension fund of any member of the Group or a person as specified in class (2) of the definition of “associate” or a person 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 had any interest in the shares, the convertible securities, warrants, options of the Company or any derivatives in respect of such securities as at the Latest Practicable Date, and no such person had dealt in any shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period.

- (c) No person 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 an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code 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 as at the Latest Practicable Date, and no such person had dealt in any shares, the convertible securities, warrants, options of the Company or derivatives in respect of such securities during the Relevant Period.
- (d) No shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities were managed on a discretionary basis by fund managers connected with the Company as at the Latest Practicable Date, and no such person had dealt in any shares, convertible securities, warrants, options of the Company or derivatives in respect of such securities during the Relevant Period.
- (e) None of the Company and the Directors had borrowed or lent any shares, convertible securities, warrants, options in the Company or derivatives in respect of such securities as at the Latest Practicable Date.
- (f) As at the Latest Practicable Date, there was no benefit in whatever form provided or to be provided to any Director as compensation for loss of office or otherwise in connection with the Partial Offer.
- (g) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Partial Offer or otherwise connected with the Partial Offer.
- (h) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.
- (i) As at the Latest Practicable Date, none of the Directors holds any Shares which is subject to the Partial Offer.
- (j) As at the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any shareholder of the Company; and (ii) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code).

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months preceding the commencement of the Offer Period; or (b) was a continuous contract with a notice period of 12 months or more; or (c) was fixed term contract that has more than 12 months to run irrespective of the notice period.

6. EXPERTS AND CONSENTS

The following are the name and qualification of the professional adviser whose letter, opinions or advice are contained or referred to in this Response Document:

Name	Qualification
Silverbricks Securities Company Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the Joint Independent Financial Advisers has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of its letters, recommendation or opinions and the references to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, each of the Joint Independent Financial Advisers was not beneficially interested in the share capital of any member of the Group; nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the Company or any of its subsidiaries had not entered into any material contracts (being contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Group) after the date falling two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date.

9. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands.
- (b) The head office and principal place of business in Hong Kong of the Company is at Room 1307, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (c) The branch share registrars and transfer office of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road North Point Hong Kong.
- (d) The company secretary of the Company is Mr. Chow Yiu Wah, Joseph, who is a fellow member of the Chartered Association of Certified Accountants, Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales and Hong Kong Securities and Investment Institute.
- (e) The English text of this Response Document shall prevail over its Chinese text, in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be put on display on the website of the SFC (www.sfc.hk), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<https://www.chinalongevity.hk/s/index.php>) from the date of this Response Document up to and including the Closing Date:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the financial years ended 31 December 2022 and 2023, and the interim report of the Company for the six months ended 30 June 2024;
- (c) the letter from the Board, the text of which is set out on pages 5 to 14 of this Response Document;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 to this Response Document;
- (e) the letter from the Joint Independent Financial Advisers, the text of which is set out on pages 17 to 43 of this Response Document; and
- (f) the letters of consent referred to under the paragraph headed “6. Experts and consents” in this Appendix.