

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

The Offer is being made for the securities of a Bermuda company and while the Offer is subject to Hong Kong disclosure and procedural requirements, investors should be aware that these requirements are different from those of the US. The financial statements included herein have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial statements of US companies.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer. This Composite Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

Orchid Valley Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

C.banner International Holdings Limited

千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

**COMPOSITE DOCUMENT
RELATING TO
VOLUNTARY CONDITIONAL CASH OFFER BY
FIRST SHANGHAI SECURITIES LIMITED
FOR AND ON BEHALF OF
ORCHID VALLEY HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
C.BANNER INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
ORCHID VALLEY HOLDINGS LIMITED
AND CERTAIN PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to the Offeror



First Shanghai Capital Limited

Offer agent to the Offeror



First Shanghai Securities Limited

Independent Financial Adviser

ALTUS CAPITAL LIMITED

Capitalized terms used on this cover shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

A letter from First Shanghai Securities containing, among other things, the details of the terms and conditions of the Offer are set out on pages 9 to 25 of this Composite Document. A letter from the Board is set out on pages 26 to 36 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Shareholders is set out on pages 37 to 38 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 39 to 57 of this Composite Document.

The procedures for acceptance and settlement of the Offer and related information are set out on pages I-1 to I-9 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 10 January 2024, or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the section headed "Overseas Shareholders" in the "Letter from First Shanghai Securities" and Appendix I to this Composite Document before taking any action. It is the responsibility of the overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consent and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer. The overseas Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements.

This Composite Document is issued jointly by the Offeror and the Company. The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

This Composite Document will remain on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cbanner.com.cn) as long as the Offer remains open.

20 December 2023

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement date of the Offer (*Note 1*) Wednesday, 20 December 2023

Opening date of the Offer. Wednesday, 20 December 2023

Latest time and date for acceptance of the Offer
on the first Closing Date (*Note 3 & 7*) 4:00 p.m. on Wednesday, 10 January 2024

First Closing Date (*Note 3 & 7*) Wednesday, 10 January 2024

Announcement of the results of the Offer as at
the first Closing Date, or as to whether the Offer
has been extended or become unconditional as at
the first Closing Date, to be posted on the websites of
the Stock Exchange and the Company no later than 7:00 p.m.
on Wednesday, 10 January 2024

Latest date for posting of remittances for the amount
due in respect of valid acceptances received under
the Offer at or before 4:00 p.m. on the first Closing Date
assuming the Offer becomes or is declared unconditional
in all respects on the first Closing Date (*Note 4 & 7*) Friday, 19 January, 2024

Final Closing Date assuming the Offer becomes or is declared
unconditional on the first Closing Date (*Note 5 & 7*) Wednesday, 24 January 2024

Latest time and date for acceptance of the Offer on the final
Closing Date assuming the Offer becomes or is declared
unconditional on the first Closing Date (*Note 5 & 7*) 4:00 p.m. on Wednesday, 24 January 2024

Announcement of the results of the Offer as at the final Closing Date,
assuming the Offer becomes or is declared unconditional on the
first Closing Date, to be posted on the websites of the Stock Exchange
and the Company no later than 7:00 p.m.
on Wednesday, 24 January 2024

EXPECTED TIMETABLE

Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer at or before 4:00 p.m. on the final Closing Date (*Note 4 & 7*) Friday, 2 February 2024

Latest time and date by which the Offer can become or be declared unconditional as to acceptances (*Note 6*). 7:00 p.m. on Monday, 19 February 2024

Notes:

1. The Offer is open for acceptance on and from Wednesday, 20 December 2023, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period.
2. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for giving instructions to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
3. The Offer will initially remain open for acceptances until 4:00 p.m. on Wednesday, 10 January 2024 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or, if the Offer is at that time unconditional as to acceptances, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Shareholders who have not accepted the Offer.
4. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (less seller's ad valorem stamp duty) for the Offer Shares tendered under the Offer will be despatched to the accepting Shareholder(s) (to the address specified on the relevant Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event no later than seven (7) Business Days following the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the date on which the Offer becomes or is declared unconditional in all respects.
5. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional (whether as to acceptances or in all respects), the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror determines or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next Closing Date or, if the Offer has become or is at that time declared unconditional, that the Offer will remain open until further notice.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document is posted, which is Monday, 19 February 2024. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on Monday, 19 February 2024 unless extended with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offer can become or be declared unconditional as to acceptance is Monday, 19 February 2024.
7. The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning", in force in Hong Kong or "extreme conditions" announced by the government of Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time after 12:00 noon and the posting of remittances will be next following Business Day which does not have either of those warnings in force at any time after 12:00 noon.

IMPORTANT NOTICES

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction in relation to the Offer (including but not limited to any taxes as such person may be required to pay, and any liabilities in relation to the withholding obligation of the Offeror according to the relevant laws and regulations in any relevant jurisdiction). Please see the sections headed “Overseas Shareholders” in the “Letter from First Shanghai Securities” and “6. Overseas Shareholders” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would”, “may”, “might” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and does not intend to update these forward-looking statements, except as required pursuant to applicable laws and the Takeovers Code.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code (and “concert party(ies)” shall be construed accordingly)
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“associated company(ies)”	has the meaning ascribed thereto under the Takeovers Code
“Bermuda”	the Islands of Bermuda
“Bermuda Companies Act”	the Companies Act of 1981 (as amended) of Bermuda
“Board”	board of Directors of the Company
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCM II”	China Consumer Management II Limited, a company incorporated in the Cayman Islands with limited liability, which is wholly owned by Mr. Wu Guangze and is one of the Offeror Concert Parties
“Chen Irrevocable Undertaking”	the irrevocable undertaking dated 24 November 2023 and executed by Mr. Chen Yixi, pursuant to which Mr. Chen Yixi has irrevocably undertaken to the Offeror not to accept the Offer in respect of the Shares owned by Mr. Chen Yixi (through Hongguo), among other matters
“Closing Date”	the date stated in this Composite Document as the first closing date of the Offer or any subsequent closing date as may be announced by the Offeror in accordance with the Takeovers Code and/or approved by the Executive
“Company”	C.banner International Holdings Limited (千百度國際控股有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1028)
“Composite Document”	this Composite Document issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code and the Listing Rules

DEFINITIONS

“Compulsory Acquisition Entitlement Period”	the period commencing on the date of this Composite Document and ending on the date falling four months after the date of this Composite Document (or such later date as the Executive may permit for the requisite level of acceptances to be reached in order for the Offeror to undertake compulsory acquisition)
“Condition(s)”	the conditions of the Offer, as set out in the section headed “The Offer – Conditions of the Offer” in the “Letter from First Shanghai Securities” in this Composite Document
“Court”	the Supreme Court of Bermuda
“Director(s)”	director(s) of the Company
“Disinterested Shares”	Shares other than those which are owned by the Offeror and the Offeror Concert Parties
“Disinterested Shareholders”	holders of Disinterested Shares
“Duan Irrevocable Undertaking”	the irrevocable undertaking dated 24 November 2023 and executed by Ms. Duan Wei, pursuant to which Ms. Duan Wei has irrevocably undertaken to the Offeror not to accept the Offer in respect of the Shares owned by Ms. Duan Wei (through Wise Orient), among other matters
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Shanghai Capital”	First Shanghai Capital Limited (第一上海融資有限公司), a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“First Shanghai Securities”	First Shanghai Securities Limited (第一上海證券有限公司), a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the lender of the Loan Facilities and the offer agent to the Offeror
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominee”	HKSCC Nominees Limited

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongguo”	Hongguo International Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Chen Yixi and is one of the Offeror Concert Parties
“Independent Board Committee”	the independent committee of the Board comprising Mr. Kwong Wai Sun Wilson, Mr. Xu Chengming and Mr. Zheng Hongliang established for the purpose of making a recommendation to the Shareholders in relation to the Offer
“Independent Financial Adviser” or “Altus”	Altus Capital Limited (浩德融資有限公司), a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee in relation to the Offer
“Irrevocable Undertakings”	collectively, the Chen Irrevocable Undertaking, the Wu Irrevocable Undertaking and the Duan Irrevocable Undertaking
“Last Trading Day”	24 November 2023, being the last trading day on which the Shares were traded on the Stock Exchange prior to the date of publication of the Rule 3.5 Announcement
“Latest Practicable Date”	15 December 2023, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Facilities”	loan facilities provided by First Shanghai Securities as the lender and taken out by the Offeror as the borrower
“Offer”	the voluntary conditional cash offer being made by First Shanghai Securities, for and on behalf of the Offeror, to acquire all of the outstanding Shares
“Offer Consideration”	the consideration payable by the Offeror in connection with the Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from the date of the Rule 3.5 Announcement (i.e. 29 November 2023) and ending at 4:00 p.m. (Hong Kong time) on the Closing Date

DEFINITIONS

“Offer Price”	the price at which the Offer will be made, being HK\$0.16 per Offer Share
“Offer Share(s)”	the issued Shares which are subject to the Offer
“Offeror”	Orchid Valley Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Cheng Xuanxuan
“Offeror Concert Party(ies)”	parties acting in concert with the Offeror, including but not limited to Ms. Cheng Xuanxuan, Mr. Chen Yixi, Hongguo, Mr. Wu Guangze, CCM II, Ms. Duan Wei, Wise Orient, First Shanghai Capital, First Shanghai Securities, Mr. Miao Bingwen, Sure Manage, Mr. Wu Weiming, Mr. Zhang Baojun and Mr. Huo Li
“Offeror Directors”	the directors of the Offeror as at the Latest Practicable Date, namely Ms. Cheng Xuanxuan and Mr. Huo Li
“PRC” or “China”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“public”	has the meaning ascribed thereto under Rule 8.24 of the Listing Rules (and “in public hands” shall be construed accordingly)
“Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar and transfer office of the Company, whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing on the date falling six months preceding the Rule 3.5 Announcement (i.e. 29 May 2023) and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.5 Announcement”	the joint announcement of the Company and the Offeror dated 29 November 2023 in relation to, among others, the Offer
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.015 each in the share capital of the Company

DEFINITIONS

“Share Award Scheme”	the share award scheme of the Company adopted on 31 August 2015, details of which are set out in the announcements of the Company dated 31 August 2015 and 19 October 2015
“Share Award Scheme Trustee”	Bank of Communications Trustee Limited (交通銀行信託有限公司), a company incorporated in Hong Kong with limited liability
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sure Manage”	Sure Manage Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Miao Bingwen and is one of the Offeror Concert Parties
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers published by the SFC
“United States” or “US”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the United States
“Wise Orient”	Wise Orient Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Duan Wei and is one of the Offeror Concert Parties
“Wu Irrevocable Undertaking”	the irrevocable undertaking dated 24 November 2023 and executed by Mr. Wu Guangze, pursuant to which Mr. Wu Guangze has irrevocably undertaken to the Offeror not to accept the Offer in respect of the Shares owned by Mr. Wu Guangze (personally and through CCM II), among other matters
“%”	per cent.

LETTER FROM FIRST SHANGHAI SECURITIES



First Shanghai Securities Limited

20 December 2023

To Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
FIRST SHANGHAI SECURITIES LIMITED
FOR AND ON BEHALF OF
ORCHID VALLEY HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
C.BANNER INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
ORCHID VALLEY HOLDINGS LIMITED
AND CERTAIN PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Rule 3.5 Announcement issued by the Company and the Offeror in relation to, among others, the Offer.

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

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

THE OFFER

First Shanghai Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code at the following Offer Price:

For each Offer Share HK\$0.16 in cash

LETTER FROM FIRST SHANGHAI SECURITIES

If, after the date of the despatch of this Composite Document, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Offer Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital, in which case any reference in the Rule 3.5 Announcement, this Composite 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.

The Offer Shares to be acquired under the Offer shall be fully paid and free from any encumbrances and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of the despatch of this Composite Document).

The Company confirms that as at the Latest Practicable Date, (a) it had not declared any dividend, the record date of which falls on or after the expected date of despatch of this Composite Document; and (b) it did not have any intention to make, declare or pay any future dividend or make other distributions until the close of the Offer.

The Offeror will not increase the Offer Price for the Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

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

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

The Offer Price

The Offer Price of HK\$0.16 per Offer Share represents:

- (a) a premium of approximately 8.11% over the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 39.13% over the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 37.93% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.116 per Share;

LETTER FROM FIRST SHANGHAI SECURITIES

- (d) a premium of approximately 40.35% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.114 per Share;
- (e) a premium of approximately 22.14% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.131 per Share;
- (f) a premium of approximately 26.98% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (g) a discount of approximately 77.59% to the audited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$0.714 as at 31 December 2022, based on the exchange rate of RMB1 to HK\$1.08; and
- (h) a discount of approximately 78.35% to the unaudited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$0.739 as at 30 June 2023, based on the exchange rate of RMB1 to HK\$1.08.

Highest and Lowest Share Prices

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.176 on 30 June 2023 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.103 on 24 August 2023, 25 August 2023 and 9 November 2023.

Value of the Offer

As at the Latest Practicable Date, there were 2,077,000,000 Shares in issue, of which 1,538,643,097 Shares will be subject to the Offer. There were no Share awards granted to any grantees under the Share Award Scheme which remained unvested, and all vested Share awards had been transferred to the relevant grantees upon vesting, and hence the Share Award Scheme Trustee did not hold any Shares. The Company had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Assuming (i) that there is no change in the number of issued Shares; (ii) that the Company will not grant any new Share awards under the Share Award Scheme from the Latest Practicable Date up to the Closing Date; and (iii) full acceptance of the Offer, based on the Offer Price of HK\$0.16 per Offer Share, the total cash consideration payable by the Offeror under the Offer would be approximately HK\$246,182,896.

LETTER FROM FIRST SHANGHAI SECURITIES

Confirmation of financial resources

The Offeror intends to finance the Offer Consideration by a combination of (i) the Offeror's internal resources; and (ii) the Loan Facilities provided to the Offeror by First Shanghai Securities.

The Loan Facilities are taken out by the Offeror as the borrower and will be utilized only after its internal resources are fully utilized. As security in favor of First Shanghai Securities as the lender of the Loan Facilities in respect of all amounts due under the Loan Facilities, among other things, (i) each of Ms. Cheng Xuanxuan, Mr. Chen Yixi and Hongguo has agreed to provide a guarantee in favor of First Shanghai Securities on a joint and several basis; (ii) each of Ms. Cheng Xuanxuan and Mr. Chen Yixi has agreed to charge to First Shanghai Securities her/his entire issued share capital in the Offeror and Hongguo, respectively; (iii) the Offeror has agreed to pledge to First Shanghai Securities all the Shares held by itself, being 103,660,000 Shares (representing approximately 4.99% of all issued Shares) and all such Offer Shares as and when the Offer Shares are validly tendered for acceptance and transferred to the Offeror; and (iv) Hongguo has agreed to pledge to First Shanghai Securities all the Shares held by itself, being 280,000,000 Shares (representing approximately 13.48% of all issued Shares).

The Offeror does not intend that the payment of interest on or repayment of the Loan Facilities will depend to any significant extent on the business of the Group.

Save for the abovementioned, First Shanghai Securities did not hold any securities in the Company.

First Shanghai Capital, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

Conditions of the Offer

The Offer is conditional upon the satisfaction or waiver of the following Conditions:

- (a) valid acceptances of the Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with the Shares already owned or acquired or agreed to be acquired before or during the Offer, will result in Ms. Cheng Xuanxuan (through the Offeror), Mr. Chen Yixi (through Hongguo), Mr. Wu Guangze (personally and through CCM II) and Ms. Duan Wei (through Wise Orient) holding more than 58.45%* (or such lower percentage as the Offeror may, subject to the Takeovers Code, decide) of the voting rights of the Company;

* This 58.45% threshold ensures that one of the conditions for the drawdown of the Loan Facilities will be met, with the Offeror and Hongguo collectively holding at least 51% of all issued Shares, where all of them will be pledged to First Shanghai Securities. The threshold also includes the Shares held by other principal members of the Offeror Concert Parties, namely Mr. Wu Guangze and Ms. Duan Wei and their respective controlled companies (in aggregate 154,696,903 Shares or approximately 7.45% of all issued Shares).

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- (b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date;
- (c) since the date of the Rule 3.5 Announcement, there having been no material adverse change in the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group;
- (d) no event having occurred which would make the Offer or the acquisition of any of the Offer Shares void, unenforceable or illegal or prohibit the implementation of the Offer or would impose any additional material conditions or obligations with respect to the Offer or any part thereof; and
- (e) no relevant government, governmental, quasi-government, statutory or regulatory body, court or agency in Hong Kong or any other jurisdictions having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Offer or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms).

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above (other than Condition (a)). As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke Condition (b), (c), (d) or (e) so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least 14 days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

WARNING: Shareholders and potential investors should be aware that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or exercising other rights in respect of the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

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INFORMATION ON THE GROUP

Principal activities

The Company is the holding company of the Group. The Group is a leading international integrated retailer and wholesaler of mid-to-premium women's formal and casual footwear in the PRC. The Group distributes self-developed brands products through department stores and independent retail stores in different cities in the PRC, and also acts as an original equipment manufacturer (OEM) or original design manufacturer (ODM) for international shoes companies dealing in export markets. The Group is popular for its brand values of elegance, charm and fashionable in the market, and operates self-developed brands, including C.banner, EBLAN, sundance, MIO, Badgley Mischka and natursun.

Your attention is drawn to the details of the information of the Group as set out under the section headed "Information of the Company" in the "Letter from the Board" and information set out in Appendices II and III to this Composite Document.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and its principal activities consist of investments in the sectors of new consumer products, pharmaceuticals and advanced manufacturing across both domestic and international markets. The Offeror is directly and wholly owned by Ms. Cheng Xuanxuan. The Offeror Directors are Ms. Cheng Xuanxuan and Mr. Huo Li.

Ms. Cheng Xuanxuan is responsible for devising the overall business strategy of the Offeror. For further details of her biography, please refer to the section headed "Proposed Change to the Board Composition of the Company" in this letter.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Ms. Cheng Xuanxuan, through the Offeror, has been an investor in the Company since May 2022 and has, since then, gained further understanding of the reputation of the Group's brands in the domestic industry and among consumers, as well as the management of the Group. Ms. Cheng Xuanxuan aims to seek a controlling stake in the Company for long-term investment and expand the scope of her investments. She is optimistic about the future prospects, and the existing management, of the Group, and her decision to make the Offer reflects her confidence in and commitment to the Company.

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It is the intention of the Offeror that the existing business of the Group shall continue unaffected by the Offer, with no major changes planned after the close of the Offer. While the Group will remain in the footwear industry and steadily build on its strengths, the Offeror intends that the Group will further enhance its product positioning and increase its focus on the development of new retail business through multiple channels (including traditional e-commerce platforms such as Tmall, JD.com, Pinduoduo and Vipshop, and social media platforms such as TikTok (Douyin) and Xiaohongshu) and new online business models for distribution (such as investing more resources to expand its business presence on social media platforms such as Tik Tok (Douyin) and Xiaohongshu and traditional e-commerce platforms such as Tmall, Vipshop and JD.com, and focusing on enhancing the efficiency of online high-quality distributors) to expand the sustainable development of its offline business in China, while seeking cooperation and integration with high quality industry peers, i.e. exploring to link up with owners of intellectual properties on online platforms for increased exposure and engagement, while actively participating in brand building activities and interactive live streaming with key opinion leaders (KOLs) to promote its main product series. Subject to the Group's business needs and prevailing market conditions, the Offeror intends that the Group will explore overseas markets and seek new cooperation opportunities there.

As at the Latest Practicable Date, the Offeror had no intention to (i) discontinue the employment of any employees of the Group (other than discontinuances in its ordinary and usual course of business); (ii) redeploy the fixed assets of the Group (other than redeployments in its ordinary and usual course of business); (iii) introduce any major changes in the existing operations and business of the Group; or (iv) acquire any new business or dispose of any existing business of the Group.

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Offeror intends to nominate Ms. Cheng Xuanxuan as an executive Director with effect from a date on or after the earliest time permitted under the Takeovers Code. The biography of Ms. Cheng Xuanxuan is set out as follows:

Ms. Cheng Xuanxuan, aged 41, obtained a Master of Professional Accounting degree from Monash University, Australia in 2008. She gained extensive experience in corporate management, finance and audit, strategic planning as well as financial management, advisory and planning from working in both Australia and China from 2008 to 2014. In 2014, Ms. Cheng Xuanxuan established her own investment vehicle, engaging in various investment ventures since then. Her experience and knowledge made her a seasoned investor proficient in both identifying promising business opportunities and navigating the complexities of trading in equity and debt instruments.

It is intended that Ms. Cheng Xuanxuan will enter into a service agreement with the Company at the time of her appointment, and the terms of the appointment, including her tenure and remuneration will be further announced after the same has been approved by the Board, the nomination committee and the remuneration committee of the Company.

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As at the Latest Practicable Date, Ms. Cheng, through the Offeror, held 103,660,000 Shares, representing approximately 4.99% of all issued Shares. Save as disclosed above, Ms. Cheng Xuanxuan did not have any interest in the Shares within the meaning of Part XV of the SFO, did not hold any other positions in the Company or any of its subsidiaries, and did not hold other directorship in any other listed companies in Hong Kong or overseas in the last three years. Save as disclosed in this Composite Document, Ms. Cheng Xuanxuan did not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, as at the Latest Practicable Date, there was no other information required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to the proposed appointment of Ms. Cheng Xuanxuan as an executive Director that need to be brought to the attention of the Shareholders.

As at the Latest Practicable Date, the Company was not informed of any existing Director's intention to resign from the Board.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made accordingly.

The Offeror considers that the Board will continue the business development of the Group after the close of the Offer, and is expected to preserve and generate value for the Group in the long run.

Reasons for and Benefits of the Offer

For the Company: To facilitate transformation of its business in a challenging environment for the PRC footwear industry

In the face of prolonged economic challenges and a difficult business environment in China, the Company has remained persistent in implementing organizational adjustments to capitalize on the Company's competitiveness and brand values for its footwear retail business. For instance, the Company has been readjusting its offline retail store network and seizing market opportunities in the e-commerce space. Meanwhile, regular reviews of consumer habits and behaviors and diligent examination of store performance have played an important part in the Company's pivotal strategy to optimize its retail network in recent years.

As a result of the Company's continuing efforts, coupled with the post-COVID-19 recovery of China's economy, the Group's unaudited total revenue increased by 10.2% from RMB715.1 million for the six months ended 30 June 2022 to RMB787.9 million for the six months ended 30 June 2023, and unaudited profit attributable to owners of the Company increased by RMB21.2 million from RMB24.2 million for the six months ended 30 June 2022 to RMB45.4 million for the six months ended 30 June 2023.

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As the economic environment improves and consumers' confidence further increases, the Group remains confident in China's consumer market long-term development. However, the macro environment continues to face a variety of pressures, where (i) global growth is slowing significantly because of elevated inflation, higher interest rates, reduced investment, and disruptions caused by the Russia/Ukraine conflict; and (ii) China's economy still faces numerous challenges including weak domestic and external demand, a multi-year property downturn, and geopolitical tensions. In order for the Company to remain competitive in the face of these challenges, it must continue to be vigilant and implement structural transformation if and when needed. This will require significant investment over a number of years, as well as a highly motivated workforce. Given the downward trend in the Share price, where the closing price of the Shares lowered by approximately 68.5% from HK\$0.365 at the beginning of year 2022 to HK\$0.115 on the Last Trading Day, and the low liquidity in the Shares, the listing status of the Company is no longer a viable source of funding for the necessary investments. Moreover, given low liquidity in the Shares, employee incentive schemes currently are not sufficiently effective for the attraction and retention of talent.

The Offeror plans to promote the Company's transformation through intensive collaboration with the Company on exploration of new development opportunities and implementation of a series of long-term growth measures. The planned growth measures include developing a new retail business, exploring new business models, expanding the sustainable development of the Group's offline business in China, seeking cooperation and integration with high quality peers in the industry, and exploring overseas markets. Following the implementation of the Offer and the withdrawal of listing of the Company (if successful), the Offeror and the Company will have greater flexibility to structure employee compensation in a more optimal manner, and they will be able to make strategic investment decisions focused on the realization of the Company's potential long-term value, free from the pressure of market expectations, the share price fluctuations and the regulatory compliance burdens otherwise associated with the status of a publicly listed company.

For the Shareholders: An attractive opportunity to monetize their investment in the Company, which has low trading liquidity, at a compelling premium

The average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day prior to the publication of the Rule 3.5 Announcement was approximately 387,000 Shares per day, representing only approximately 0.02% of all issued Shares and outstanding as at the Rule 3.5 Announcement. The low trading volume of the Shares makes it difficult for Shareholders to execute substantial sales of Shares on-market without adversely affecting the price of the Shares.

The Offer, in contrast, provides an opportunity for Shareholders to monetize their investments in the Company immediately for cash at a compelling premium without any downward pressure on the Share price, and therefore allows Shareholders a chance to redeploy their capital into other investment opportunities that they may consider more attractive in the current environment. The Offer Price of HK\$0.16 per Offer Share represents a premium of approximately 39.13% over the closing price on the Last Trading Day prior to the publication of the Rule 3.5 Announcement, as well as a premium of approximately 37.93%, 40.35% and 22.14%, respectively, over the average closing prices for the five, ten and 30 trading days up to and including the Last Trading Day prior to the publication of the Rule 3.5 Announcement.

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LISTING STATUS AND POSSIBLE COMPULSORY ACQUISITION

Pursuant to Section 102(1) of the Bermuda Companies Act, if the Offer has, within four months after the making of the Offer (that is, the despatch of the Composite Document), been approved (in this case, by way of accepting the Offer) by the Shareholders of not less than nine-tenths in value of the Shares whose transfer is involved (in this case, meaning the Shares subject to the Offer) other than the Shares already held at the date of the Offer by, or by a nominee for, the Offeror or its subsidiary, the Offeror may, at any time within two months beginning with the date on which such approval is obtained, give notice of compulsory acquisition to any dissenting Shareholder that it desires to acquire the Shares held by such dissenting Shareholder. If such notice of compulsory acquisition is given, the Offeror shall, unless the Court orders otherwise, be entitled and bound to acquire the Shares held by the dissenting Shareholders on the same terms as other Shares are acquired under the Offer. Any dissenting Shareholder may apply to the Court to object to the proposed compulsory acquisition within one month from the date on which the notice of compulsory acquisition is given.

Pursuant to Section 103(1) of the Bermuda Companies Act, holders of not less than 95% of the issued Shares may give a notice of compulsory acquisition to the remaining Shareholders of such holders' intention to acquire the remaining Shareholders' Shares on the terms set out in the notice. When such notice of compulsory acquisition is given, such holders shall be entitled and bound to acquire the Shares from the remaining Shareholders unless any remaining Shareholder applies to the Court for an appraisal, provided that such holders offer the same terms to all holders of the Disinterested Shares whose acquisition is involved. If the Offeror acquires further Shares (whether pursuant to the Offer or otherwise) such that the Offeror and the Offeror Concert Parties hold not less than 95% of the issued Shares, the Offeror and the Offeror Concert Parties will be entitled to give such notice of compulsory acquisition.

If the level of acceptances of the Offer Shares (or the Offeror and the Offeror Concert Parties' holding of the total issued share capital of the Company) reaches the prescribed threshold under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act and not less than 90% of the Disinterested Shares are validly tendered for acceptance within the Compulsory Acquisition Entitlement Period, the Offeror intends to exercise its right under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act and pursuant to Rule 2.11 of the Takeovers Code to compulsorily acquire all those Shares not acquired by the Offeror or parties acting in concert with it under the Offer.

Pursuant to Rule 15.6 of the Takeovers Code, where the Offeror has stated in the Composite Document its intention to avail itself of any powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months after the date of the Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), the Company will be beneficially owned as to 100% by the Offeror and the Offeror Concert Parties, and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

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If the level of acceptances of the Offer Shares (or the Offeror and the Offeror Concert Parties' holding of the total issued share capital of the Company) does not reach the prescribed threshold under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act or less than 90% of the Disinterested Shares are validly tendered for acceptance within the Compulsory Acquisition Entitlement Period, the Offeror will not be entitled to exercise the compulsory acquisition right and therefore the Company will not be delisted from the Stock Exchange.

If the Offeror decides to compulsorily acquire those Offer Share(s) not acquired by the Offeror under the Offer (the "**Remaining Offer Share(s)**") under Section 102(1) of the Bermuda Companies Act, the Offeror will despatch the compulsory acquisition notices pursuant to the Bermuda Companies Act, each accompanied by a form of request for payment of consideration (the "**Compulsory Acquisition Consideration**"), to the Shareholder(s) holding the Remaining Offer Share(s) (the "**Remaining Offer Shareholder(s)**"). In order to receive the Compulsory Acquisition Consideration, the Remaining Offer Shareholder(s) should complete and return the form of request for payment of consideration within one month from the despatch date of the compulsory acquisition notices. If any dissenting Remaining Offer Shareholder files an application with the Court within one month from the date of the compulsory acquisition notices and (i) such objection is ultimately upheld by the Court, the Offeror will not be able to exercise compulsory acquisition; or (ii) such objection is ultimately not upheld by the Court, the cheques for the payment of the amounts due to the Remaining Offer Shareholder(s) will be despatched within one month after the Court rules in favor of the compulsory acquisition. If the Remaining Offer Shareholder(s) do not complete and return the form of request for payment of consideration (as mentioned above), the Offeror will then be required to pay the Compulsory Acquisition Consideration of such Remaining Offer Shareholder(s) to the Company rather than directly to the relevant Remaining Offer Shareholder(s), and the Company is required to transfer such Compulsory Acquisition Consideration into a separate bank account and hold it on trust for these Remaining Offer Shareholder(s). The Company shall hold the Compulsory Acquisition Consideration for each such Remaining Offer Shareholder(s) until the earlier of: (i) a claim by such Remaining Offer Shareholder(s) is made and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) of such Remaining Offer Shareholder(s) are provided to the Company or the Offeror to the satisfaction of the Company; and (ii) the expiry of six years from the date of completion of the compulsory acquisition.

If the Offeror decides to compulsorily acquire the Remaining Offer Share(s) under Section 103(1) of the Bermuda Companies Act, the Offeror and the Offeror Concert Parties will despatch the compulsory acquisition notices pursuant to the Bermuda Companies Act, each accompanied by a form of request for payment of Compulsory Acquisition Consideration, to the Remaining Offer Shareholder(s). Any Remaining Offer Shareholder who receives such notice has the right to apply to the Court to appraise the value of their Offer Shares within one month of receiving the compulsory acquisition notice. There is no appeal process available in relation to the Court's appraisal decision. If the price that was paid for the Offer Share(s) already acquired under the Offer is less than the value appraised by the Court, subject to any other directions from the Court, the Offeror will, within one month of the Court's appraisal of the value of the Offer Share(s), pay the difference in the price paid under the Offer and the appraised value of the Offer Share(s) to the holder(s) of those Offer Share(s) acquired by the Offeror under the Offer, and acquire the Remaining Offer Share(s) from the Remaining Offer Shareholder(s) at the value appraised by the Court.

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If the Offeror decides to exercise its compulsory acquisition right referred to above, the Company will apply to the Stock Exchange for the suspension of trading in the Shares on the Stock Exchange with effect from the next trading day of the Stock Exchange immediately after the Closing Date up to the date of withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

PUBLIC FLOAT

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

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

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

If the Offeror is not entitled to exercise, or decides not to exercise, the compulsory acquisition right, the Offeror intends the Company to remain listed on the Stock Exchange. The Offeror Directors and the new director to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

IRREVOCABLE UNDERTAKINGS

On 24 November 2023, Mr. Chen Yixi gave the Chen Irrevocable Undertaking in favor of the Offeror, pursuant to which Mr. Chen Yixi has irrevocably undertaken to the Offeror, among other matters, not to accept the Offer in respect of 280,000,000 Shares (representing approximately 13.48% of all issued Shares) owned by Mr. Chen Yixi (through Hongguo) as at the date of the Chen Irrevocable Undertaking and the Latest Practicable Date.

On 24 November 2023, Mr. Wu Guangze gave the Wu Irrevocable Undertaking in favor of the Offeror, pursuant to which Mr. Wu Guangze has irrevocably undertaken to the Offeror, among other matters, not to accept the Offer in respect of 55,286,000 Shares (representing approximately 2.66% of all issued Shares) owned by Mr. Wu Guangze (personally and through CCM II) as at the date of the Wu Irrevocable Undertaking and the Latest Practicable Date.

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On 24 November 2023, Ms. Duan Wei gave the Duan Irrevocable Undertaking in favor of the Offeror, pursuant to which Ms. Duan Wei has irrevocably undertaken to the Offeror, among other matters, not to accept the Offer in respect of 99,410,903 Shares (representing approximately 4.79% of all issued Shares) owned by Ms. Duan Wei (through Wise Orient) as at the date of the Duan Irrevocable Undertaking and the Latest Practicable Date.

The main provisions of the Irrevocable Undertakings are set out as follows:

- (a) each of Mr. Chen Yixi, Mr. Wu Guangze and Ms. Duan Wei will not, and will procure that the parties acting in concert with them will not, (i) accept the Offer in respect of (1) the Shares owned by each of them and the parties acting in concert with them as at the date of their respective Irrevocable Undertakings; and (2) the Shares or other interests over the Shares subsequently acquired by each of them or the parties acting in concert with them; or (ii) sell such Shares or such other interests over the Shares to the Offeror or the parties acting in concert with the Offeror;
- (b) each of Mr. Chen Yixi, Mr. Wu Guangze and Ms. Duan Wei will not, and will procure that the parties acting in concert with them will not, enter into any transaction in respect of the Shares, convertible securities, options or other securities of the Company from the date of their respective Irrevocable Undertakings until the Offer is closed, lapsed or withdrawn;
- (c) until the Offer is closed, lapsed or withdrawn, each of Mr. Chen Yixi, Mr. Wu Guangze and Ms. Duan Wei will, and will procure that the parties acting in concert with them will, continue to own, (i) the Shares owned by each of them and the parties acting in concert with them as at the date of their respective Irrevocable Undertakings; and (ii) the Shares or other interests over the Shares subsequently acquired by each of them or the parties acting in concert with them after the date of their respective Irrevocable Undertakings;
- (d) until the Offer is closed, lapsed or withdrawn, each of Mr. Chen Yixi, Mr. Wu Guangze and Ms. Duan Wei and the parties acting in concert with them will not sell, transfer, dispose of, charge or pledge (other than charges and pledges mentioned in the Rule 3.5 Announcement) the Shares owned by them or the parties acting in concert with them as at or after the date of their respective Irrevocable Undertakings; and
- (e) each of Mr. Wu Guangze and Ms. Duan Wei has acknowledged that he/she will act in concert with the Offeror in respect of matters relating to the Offer.

The Irrevocable Undertakings shall terminate on the date of completion of the Offer and the delisting of the Company. In addition, if the Offer lapses or is withdrawn as permitted under the Takeovers Code, the Irrevocable Undertakings shall terminate and Mr. Chen Yixi, Mr. Wu Guangze and Ms. Duan Wei shall cease to be bound by all of their obligations, undertakings, representations and warranties contained in the Irrevocable Undertakings (other than any powers and liabilities accrued prior to such termination).

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OVERSEAS SHAREHOLDERS

The making of the Offer to the Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Shareholders may be prohibited or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents, the satisfaction of any filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements, and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.

Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror that all laws, regulations and requirements applicable to that Shareholder have been complied with and that the Offer can be lawfully accepted by such Shareholder under the laws and regulations of the relevant jurisdictions. Shareholders should consult their professional advisers if in doubt.

ACCEPTANCES OF THE OFFER

Procedures for acceptance

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

The duly completed and signed Form of Acceptance, should be sent, together with the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "C.banner International Holdings Limited – Offer" on the envelope, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

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

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

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Close of the Offer

The latest time on which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or, if permissible, waived), Shareholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

Effect of Accepting the Offer

Acceptance of the Offer will constitute a warranty to the Offeror by each person accepting it that the Shares acquired under the Offer and sold by such persons are fully paid and free from any encumbrances and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of the despatch of this Composite Document).

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code. Rule 17 of the Takeovers Code provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the first closing date of the Offer if the Offer has not by then become unconditional as to acceptances.

Nominee registration

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

Stamp Duty

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

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Payment

Payment in cash in respect of acceptance of the Offer will be made as soon as possible but in any event no later than seven Business Days after the later of (i) the date on which the Offer becomes, or is declared, unconditional in all respects; and (ii) the date on which the duly completed acceptance of the Offer and the relevant documents of title in respect of such acceptance are received by the Offeror (or its agent).

Taxation advice

None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, First Shanghai Capital, First Shanghai Securities nor any of its respective directors, officers, associates or advisers or any persons involved in the Offer is in a position to advise Shareholders on their own tax implications in any relevant jurisdiction. Shareholders are recommended to consult their own professional advisers as to the taxation implications in any relevant jurisdiction of accepting or rejecting the Offer.

None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, First Shanghai Capital, First Shanghai Securities, the Registrar or any of their respective directors, officers, associates, advisers or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of the acceptance or rejection of the Offer by any Shareholder.

GENERAL

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

All communications, notices, the Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders at their addresses specified on the Form of Acceptance. None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, First Shanghai Capital, First Shanghai Securities, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, associates or advisers, or any other person involved in the Offer, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result. The attention of the Shareholders is drawn to “Further terms and procedures of acceptance of the Offer” as set out in Appendix I to this Composite Document.

LETTER FROM FIRST SHANGHAI SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board” as set out on pages 26 to 36 of this Composite Document, the “Letter from the Independent Board Committee” as set out on pages 37 to 38 of this Composite Document and the letter of advice by the Independent Financial Adviser to the Independent Board Committee as set out in the “Letter from the Independent Financial Adviser” on pages 39 to 57 of this Composite Document.

Yours faithfully,

For and on behalf of

First Shanghai Securities Limited

Mr. Yeung Wai Kin

Mr. Qiu Hong

Director

Director

LETTER FROM THE BOARD

C.banner International Holdings Limited 千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

Executive Directors:

Mr. CHEN Yixi (*Chairman*)

Mr. YUAN Zhenhua (*President*)

Mr. WU Weiming

Mr. ZHANG Baojun (*Chief Financial Officer*)

Registered office:

Victoria Place

5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

Non-Executive Director:

Mr. MIAO Bingwen

Principal place of business in Hong Kong:

Suite 1503, Level 15

Admiralty Centre Tower 1

18 Harcourt Road

Admiralty, Hong Kong

Independent Non-Executive Directors:

Mr. KWONG Wai Sun Wilson

Mr. XU Chengming

Mr. ZHENG Hongliang

20 December 2023

To the Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
FIRST SHANGHAI SECURITIES LIMITED
FOR AND ON BEHALF OF
ORCHID VALLEY HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
C.BANNER INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
ORCHID VALLEY HOLDINGS LIMITED
AND CERTAIN PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Rule 3.5 Announcement. First Shanghai Securities, for and on behalf of the Offeror, makes a voluntary conditional cash offer to acquire all the issued Shares (other than those Shares already owned by Ms. Cheng Xuanxuan (through the Offeror), Mr. Chen Yixi (through Hongguo), Mr. Wu Guangze (personally and through CCM II) and Ms. Duan Wei (through Wise Orient)) at HK\$0.16 per Share.

LETTER FROM THE BOARD

The purpose of this Composite Document of which this letter forms part is to provide you with, among other matters, the terms of the Offer, information relating to the Group and the Offeror, as well as to set out (i) the letter from the Independent Board Committee containing its recommendations to the Shareholders in respect of the Offer; and (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer.

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

PRINCIPAL TERMS OF THE OFFER

The “Letter from First Shanghai Securities” as set out on pages 9 to 25 of this Composite Document contains the information in respect of the Offer and the principal terms of the Offer are extracted below. You are recommended to refer to the “Letter from First Shanghai Securities”, the section headed “Further terms and procedures of acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance for further details.

As at the Latest Practicable Date, there were 2,077,000,000 Shares in issue, of which 1,538,643,097 Shares will be subject to the Offer. There were no Share awards granted to any grantees under the Share Award Scheme which remained unvested, and all vested Share awards had been transferred to the relevant grantees upon vesting, and hence the Share Award Scheme Trustee did not hold any Shares. The Company had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The Offer is made by First Shanghai Securities for and on behalf of the Offeror at the Offer Price:

The Offer

For each Offer Share HK\$0.16 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from any encumbrances and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of the despatch of this Composite Document).

The Company confirms that as at the Latest Practicable Date, (a) it had not declared any dividend, the record date of which falls on or after the expected date of despatch of this Composite Document; and (b) it did not have any intention to make, declare or pay any future dividend or make other distributions until the close of the Offer.

The Offer Price

Your attention is drawn to the section headed “The Offer – The Offer Price” in the “Letter from First Shanghai Securities” in this Composite Document.

LETTER FROM THE BOARD

Highest and Lowest Share Prices

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.176 on 30 June 2023 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.103 on 24 August 2023, 25 August 2023 and 9 November 2023.

Value of the Offer

Your attention is drawn to the sections headed “The Offer” and “The Offer – Value of the Offer” in the “Letter from First Shanghai Securities” in this Composite Document which set out the value of the Offer.

Conditions to the Offer

Your attention is drawn to the section headed “The Offer – Conditions of the Offer” in the “Letter from First Shanghai Securities” in this Composite Document which sets out the conditions to the Offer.

Reasons for and Benefits of the Offer

Your attention is drawn to the section headed “Reasons for and Benefits of the Offer” in the “Letter from First Shanghai Securities” in this Composite Document.

IRREVOCABLE UNDERTAKINGS

As set out in the Rule 3.5 Announcement, on 24 November 2023, Mr. Chen Yixi, Mr. Wu Guangze and Ms. Duan Wei gave the Chen Irrevocable Undertaking, the Wu Irrevocable Undertaking and the Duan Irrevocable Undertaking, respectively, in favor of the Offeror. You are advised to refer to the section headed “Irrevocable Undertakings” in the “Letter from First Shanghai Securities” in this Composite Document for further details.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Kwong Wai Sun Wilson, Mr. Xu Chengming and Mr. Zheng Hongliang, has been formed to advise the Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptance of the Offer.

As Mr. Miao Bingwen is a non-executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code (for details, please see Note 5 to the shareholding table of the Company in the section headed “Shareholding Structure of the Company” in this letter), Mr. Miao Bingwen is regarded as being interested in the Offer and therefore did not join the Independent Board Committee.

LETTER FROM THE BOARD

Altus has, with the approval of the Independent Board Committee, been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptance of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out on pages 37 to 38 and pages 39 to 57 respectively in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

FURTHER DETAILS OF THE OFFER

You are advised to refer to the “Letter from First Shanghai Securities” as set out on pages 9 to 25 of this Composite Document, “Further terms and procedures of acceptance of the Offer” as set out in Appendix I to this Composite Document and the Form of Acceptance for further terms and conditions of the Offer and the procedures for acceptance and settlement of the Offer.

INFORMATION OF THE COMPANY

The Company was incorporated in Bermuda with limited liability, and its Shares have been listed on the Main Board of the Stock Exchange since 23 September 2011 (Stock Code: 1028). The Company is the holding company of the Group. The Group is a leading international integrated retailer and wholesaler of mid-to-premium women’s formal and casual footwear in the PRC. The Group distributes self-developed brands products through department stores and independent retail stores in different cities in the PRC, and also acts as an original equipment manufacturer (OEM) or original design manufacturer (ODM) for international shoes companies dealing in export markets. The Group is popular for its brand values of elegance, charm and fashionable in the market, and operates self-developed brands, including C.banner, EBLAN, sundance, MIO, Badgley Mischka and natursun.

LETTER FROM THE BOARD

The table below sets forth a summary of certain consolidated financial information of the Group extracted from (i) the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022; and (ii) the interim report of the Company for the six months ended 30 June 2023, which have been prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December			For the six months ended	
	2020	2021	2022	30 June	
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	1,539,368	1,629,120	1,381,742	715,141	787,909
Profit before taxation	14,813	50,484	17,335	25,805	68,627
Profit after taxation	5,605	28,790	14,766	23,984	45,156
Profit attributable to owners of the Company	6,179	27,346	14,789	24,162	45,442
	As at 31 December			As at 30 June	
	2020	2021	2022	2023	
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets	1,762,817	1,745,652	1,718,605	1,767,684	1,767,684
Total liabilities	435,539	391,058	344,545	346,713	346,713
Net assets	1,327,278	1,354,594	1,374,060	1,420,971	1,420,971

Your attention is drawn to the sections headed “Financial Information of the Group” and “General Information of the Group” as set out in Appendices II and III to this Composite Document, respectively.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Offer, assuming there is no change in the number of issued Shares, no Share awards will be granted by the Company under the Share Award Scheme from the Latest Practicable Date up to the Closing Date and all Shares are tendered for acceptance by the Shareholders under the Offer:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Offer	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Offeror (wholly owned by Ms. Cheng Xuanxuan) ^(Note 1)	103,660,000	4.99%	1,642,303,097	79.07%
Offeror Concert Parties whose Shares do not form part of the Offer Shares nor the Disinterested Shares				
– Mr. Chen Yixi (through Hongguo) ^(Note 2)	280,000,000	13.48%	280,000,000	13.48%
– Mr. Wu Guangze (personally) ^(Note 3)	7,286,000	0.35%	7,286,000	0.35%
– Mr. Wu Guangze (through CCM II) ^(Note 3)	48,000,000	2.31%	48,000,000	2.31%
– Ms. Duan Wei (through Wise Orient) ^(Note 4)	99,410,903	4.79%	99,410,903	4.79%
Offeror Concert Parties whose Shares form part of the Offer Shares but do not form part of the Disinterested Shares:				
– Mr. Miao Bingwen (personally) ^(Note 5)	20,000,000	0.96%	0	0%
– Mr. Miao Bingwen (through Sure Manage) ^(Note 5)	80,000,000	3.85%	0	0%
– Mr. Wu Weiming ^(Note 6)	50,000	Less than 0.01%	0	0%
– Mr. Zhang Baojun ^(Note 7)	1,327,000	0.06%	0	0%
– Mr. Huo Li ^(Note 8)	979,000	0.05%	0	0%
Disinterested Shareholders	<u>1,436,287,097</u>	<u>69.15%</u>	<u>0</u>	<u>0%</u>
Total	<u><u>2,077,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>2,077,000,000</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

Notes:

1. The Offeror is directly and wholly owned by Ms. Cheng Xuanxuan, who is an Offeror Director and has agreed to provide a guarantee and charge her entire issued share capital in the Offeror in favor of First Shanghai Securities as the lender of the Loan Facilities. Ms. Cheng Xuanxuan is one of the Offeror Concert Parties.
2. Mr. Chen Yixi is an executive Director and the Chairman of the Company. As Mr. Chen Yixi has agreed to provide a guarantee and charge his entire issued share capital in Hongguo in favor of First Shanghai Securities as the lender of the Loan Facilities, Mr. Chen Yixi is presumed to be one of the Offeror Concert Parties by virtue of falling into class (9) of the definition of “acting in concert” in the Takeovers Code.

Hongguo is directly and wholly owned by Mr. Chen Yixi, and has agreed to provide a guarantee and pledge all the Shares held by itself in favor of First Shanghai Securities as the lender of the Loan Facilities. Therefore, Hongguo is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) and class (9) of the definition of “acting in concert” in the Takeovers Code.

3. Mr. Wu Guangze was a non-executive Director of the Company from 2012 to 2018, and has had a stake in the Company since 2012 by virtue of his affiliated funds’ shareholding in the Company. Mr. Wu Guangze was part of a “closely allied group of Shareholders” (within the meaning of Rule 14.45 of the Listing Rules) together with, among others, Mr. Chen Yixi for the Group’s major transaction involving the acquisition of Hamleys Global Holdings Limited in 2015. Mr. Wu Guangze was also the purchaser for the Group’s very substantial disposal of Allied Great International Holdings Limited in 2020. In light of his long-standing business relationship at the Company with Mr. Chen Yixi and other Directors, Mr. Wu Guangze is a de facto concert party of Mr. Chen Yixi, and is accordingly one of the Offeror Concert Parties. Moreover, under the Wu Irrevocable Undertaking, Mr. Wu Guangze has acknowledged that he will act in concert with the Offeror in respect of matters relating to the Offer.

As CCM II is directly and wholly owned by Mr. Wu Guangze, CCM II is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code.

4. Ms. Duan Wei is the mother of Mr. Wu Guangze, and is hence a “close relative” (with the meaning of the Takeovers Code) of Mr. Wu Guangze. Therefore, Ms. Duan Wei is presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code. Moreover, under the Duan Irrevocable Undertaking, Ms. Duan Wei has acknowledged that she will act in concert with the Offeror in respect of matters relating to the Offer.

As Wise Orient is directly and wholly owned by Ms. Duan Wei, Wise Orient is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code.

5. Mr. Miao Bingwen is a non-executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code.

As Sure Manage is directly and wholly owned by Mr. Miao Bingwen, Sure Manage is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code.

6. Mr. Wu Weiming is an executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code.
7. Mr. Zhang Baojun is an executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code.
8. Mr. Huo Li is an Offeror Director and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (2) of the definition of “acting in concert” in the Takeovers Code.

Your attention is drawn to the “Financial Information of the Group” and “General Information of the Group” as set out in Appendices II and III to this Composite Document, respectively.

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR AND INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “General Information of the Offeror” and “Intentions of the Offeror in relation to the Group” in the “Letter from First Shanghai Securities” as set out on pages 9 to 25 of this Composite Document. The Board is aware of the Offeror’s intentions in respect of the Group and its employees and is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

LISTING STATUS AND POSSIBLE COMPULSORY ACQUISITION

Your attention is drawn to the section headed “Listing Status and Possible Compulsory Acquisition” in the “Letter from First Shanghai Securities” as set out on pages 9 to 25 of this Composite Document.

Pursuant to Section 102(1) of the Bermuda Companies Act, if the Offer has, within four months after the making of the Offer (that is, the despatch of this Composite Document), been approved (in this case, by way of accepting the Offer) by the Shareholders of not less than nine-tenths in value of the Shares whose transfer is involved (in this case, meaning the Shares subject to the Offer) other than the Shares already held at the date of the Offer by, or by a nominee for, the Offeror or its subsidiary, the Offeror may, at any time within two months beginning with the date on which such approval is obtained, give notice of compulsory acquisition to any dissenting Shareholder that it desires to acquire the Shares held by such dissenting Shareholder. If such notice of compulsory acquisition is given, the Offeror shall, unless the Court orders otherwise, be entitled and bound to acquire the Shares held by the dissenting Shareholders on the same terms as other Shares are acquired under the Offer. Any dissenting Shareholder may apply to the Court to object to the proposed compulsory acquisition within one month from the date on which the notice of compulsory acquisition is given.

Pursuant to Section 103(1) of the Bermuda Companies Act, holders of not less than 95% of the issued Shares may give a notice of compulsory acquisition to the remaining Shareholders of such holders’ intention to acquire the remaining Shareholders’ Shares on the terms set out in the notice. When such notice of compulsory acquisition is given, such holders shall be entitled and bound to acquire the Shares from the remaining Shareholders unless any remaining Shareholder applies to the Court for an appraisal, provided that such holders offer the same terms to all holders of the Disinterested Shares whose acquisition is involved. If the Offeror acquires further Shares (whether pursuant to the Offer or otherwise) such that the Offeror and the Offeror Concert Parties hold not less than 95% of the issued Shares, the Offeror and the Offeror Concert Parties will be entitled to give such notice of compulsory acquisition.

If the level of acceptances of the Offer Shares (or the Offeror and the Offeror Concert Parties’ holding of the total issued share capital of the Company) reaches the prescribed threshold under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act and not less than 90% of the Disinterested Shares are validly tendered for acceptance within the Compulsory Acquisition Entitlement Period, the Offeror intends to exercise its right under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act and pursuant to Rule 2.11 of the Takeovers Code to compulsorily acquire all those Shares not acquired by the Offeror or parties acting in concert with it under the Offer.

LETTER FROM THE BOARD

Pursuant to Rule 15.6 of the Takeovers Code, where the Offeror has stated in this Composite Document its intention to avail itself of any powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months after the date of this Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), the Company will be beneficially owned as to 100% by the Offeror and the Offeror Concert Parties, and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

If the level of acceptances of the Offer Shares (or the Offeror and the Offeror Concert Parties' holding of the total issued share capital of the Company) does not reach the prescribed threshold under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act or less than 90% of the Disinterested Shares are validly tendered for acceptance within the Compulsory Acquisition Entitlement Period, the Offeror will not be entitled to exercise the compulsory acquisition right and therefore the Company will not be delisted from the Stock Exchange.

If the Offeror decides to compulsorily acquire those Offer Share(s) not acquired by the Offeror under the Offer (the “**Remaining Offer Share(s)**”) under Section 102(1) of the Bermuda Companies Act, the Offeror will despatch the compulsory acquisition notices pursuant to the Bermuda Companies Act, each accompanied by a form of request for payment of consideration (the “**Compulsory Acquisition Consideration**”), to the Shareholder(s) holding the Remaining Offer Share(s) (the “**Remaining Offer Shareholder(s)**”). In order to receive the Compulsory Acquisition Consideration, the Remaining Offer Shareholder(s) should complete and return the form of request for payment of consideration within one month from the despatch date of the compulsory acquisition notices. If any dissenting Remaining Offer Shareholder files an application with the Court within one month from the date of the compulsory acquisition notices and (i) such objection is ultimately upheld by the Court, the Offeror will not be able to exercise compulsory acquisition; or (ii) such objection is ultimately not upheld by the Court, the cheques for the payment of the amounts due to the Remaining Offer Shareholder(s) will be despatched within one month after the Court rules in favor of the compulsory acquisition. If the Remaining Offer Shareholder(s) do not complete and return the form of request for payment of consideration (as mentioned above), the Offeror will then be required to pay the Compulsory Acquisition Consideration of such Remaining Offer Shareholder(s) to the Company rather than directly to the relevant Remaining Offer Shareholder(s), and the Company is required to transfer such Compulsory Acquisition Consideration into a separate bank account and hold it on trust for these Remaining Offer Shareholder(s). The Company shall hold the Compulsory Acquisition Consideration for each such Remaining Offer Shareholder(s) until the earlier of: (i) a claim by such Remaining Offer Shareholder(s) is made and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) of such Remaining Offer Shareholder(s) are provided to the Company or the Offeror to the satisfaction of the Company; and (ii) the expiry of six years from the date of completion of the compulsory acquisition.

LETTER FROM THE BOARD

If the Offeror decides to compulsorily acquire the Remaining Offer Share(s) under Section 103(1) of the Bermuda Companies Act, the Offeror and the Offeror Concert Parties will despatch the compulsory acquisition notices pursuant to the Bermuda Companies Act, each accompanied by a form of request for payment of Compulsory Acquisition Consideration, to the Remaining Offer Shareholder(s). Any Remaining Offer Shareholder who receives such notice has the right to apply to the Court to appraise the value of their Offer Shares within one month of receiving the compulsory acquisition notice. There is no appeal process available in relation to the Court's appraisal decision. If the price that was paid for the Offer Share(s) already acquired under the Offer is less than the value appraised by the Court, subject to any other directions from the Court, the Offeror will, within one month of the Court's appraisal of the value of the Offer Share(s), pay the difference in the price paid under the Offer and the appraised value of the Offer Share(s) to the holder(s) of those Offer Share(s) acquired by the Offeror under the Offer, and acquire the Remaining Offer Share(s) from the Remaining Offer Shareholder(s) at the value appraised by the Court.

PUBLIC FLOAT

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

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

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

If the Offeror is not entitled to exercise, or decides not to exercise, the compulsory acquisition right, the Offeror intends the Company to remain listed on the Stock Exchange. The Offeror Directors and the new director to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 37 to 38 of this Composite Document, which sets out its recommendations to the Shareholders in relation to the Offer; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 39 to 57 of this Composite Document, which sets out its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from First Shanghai Securities”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document, the accompanying Form of Acceptance and the additional information as set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,
By order of the board of
C.banner International Holdings Limited
Mr. Chen Yixi
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

C.banner International Holdings Limited **千百度國際控股有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

20 December 2023

To the Disinterested Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
FIRST SHANGHAI SECURITIES LIMITED
FOR AND ON BEHALF OF
ORCHID VALLEY HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
C.BANNER INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
ORCHID VALLEY HOLDINGS LIMITED
AND CERTAIN PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 20 December 2023 jointly issued by the Company and the Offeror, of which this letter forms part. Unless specified otherwise, terms used herein shall have the same meanings as those defined in this Composite Document.

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

Altus has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offer and as to acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Financial Adviser” as set out in this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Offer, the information contained in this Composite Document and the principal factors and reasons considered by, and the independent advice of Altus, as set out in its letter of advice, we consider that the terms of the Offer are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we recommend the Disinterested Shareholders to accept the Offer.

Notwithstanding our recommendation, the Disinterested Shareholders should consider carefully the terms of the Offer and then decide whether to accept or not to accept the Offer. You are strongly recommended to read the full text of the “Letter from the Independent Financial Adviser” as set out in this Composite Document.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Mr. Kwong Wai Sun Wilson
Mr. Xu Chengming
Mr. Zheng Hongliang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Altus Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in the Composite Document.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

20 December 2023

To the Independent Board Committee

C.banner International Holdings Limited
Suite 1503, Level 15
Admiralty Centre Tower 1
18 Harcourt Road
Admiralty, Hong Kong

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
FIRST SHANGHAI SECURITIES LIMITED
FOR AND ON BEHALF OF
ORCHID VALLEY HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
C.BANNER INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
ORCHID VALLEY HOLDINGS LIMITED
AND CERTAIN PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offer. Our appointment as the independent financial adviser has been approved by the Independent Board Committee as set out in the announcement of the Company dated 6 December 2023. Details of the Offer are set out in the “Letter from the Board” contained in the Composite Document dated 20 December 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer

First Shanghai Securities is making the Offer with the Offer Price of HK\$0.16 in cash for and on behalf of the Offeror in compliance with the Takeovers Code.

Reference is made to the Rule 3.5 Announcement issued by the Company and the Offeror in relation to, among others, the Offer. For the principal terms of the Offer, together with the information of the Offeror and the Offeror's intention regarding the Group, please refer to the "Letter from First Shanghai" contained in the Composite Document.

THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee comprising Mr. Kwong Wai Sun Wilson, Mr. Xu Chengming and Mr. Zheng Hongliang, all independent non-executive Directors, to advise the Disinterested Shareholders as to whether the terms of the Offer are fair and reasonable, and as to the acceptance of the Offer.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We (i) are not associated or connected, financially or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Composite Document. Pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code, and given that (i) the remuneration for our engagement to opine on the Offer is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company and the Offeror, their respective controlling shareholders or any parties acting in concert with any of them, and can act as the independent financial adviser to the Independent Board Committee in respect of the Offer.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the annual reports of the Company for the years ended 31 December 2021 and 2022 (the "**2021 Annual Report**" and "**2022 Annual Report**"); (ii) the interim report of the Group for the six months ended 30 June 2023 (the "**2023 Interim Report**"); and (iii) other information contained or referred to in the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Disinterested Shareholders of any material changes to information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Disinterested Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date, and before the despatch of the Composite Document.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Composite Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Disinterested Shareholders arising from acceptance or non-acceptance of the Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Disinterested Shareholders as a result of the Offer. In particular, the Disinterested Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

1. Background information of the Company

1.1 Principal activities

The Company is the holding company of the Group. The Group is a leading international integrated retailer and wholesaler of mid-to-premium women’s formal and casual footwear in China. The Group distributes self-developed brand products through department stores and independent retail stores in different cities in China, and also acts as an original equipment manufacturer (OEM) or original design manufacturer (ODM) for international shoes companies dealing in export markets. The Group operates its self-developed brands, which include C.banner, EBLAN, sundance, MIO, Badgley Mischka and natursun.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial information

Set out below is a summary of the financial information of the Group as extracted from the (i) 2021 Annual Report; (ii) 2022 Annual Report; and (iii) 2023 Interim Report respectively.

	For the year ended 31 December			For the six months ended	
				30 June	
	2020	2021	2022	2022	2023
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	1,539,368	1,629,120	1,381,742	715,141	787,909
– Retail and wholesale	1,379,398	1,438,855	1,152,714	596,874	697,092
– Contract manufacturing	112,198	146,106	193,149	101,731	63,037
– Retail of toys	47,772	44,159	35,879	16,536	27,780
Other income and expenses and other gains and losses	75,832	58,313	55,008	27,499	32,648
– Government grant	29,788	30,771	19,845	8,362	14,544
– Government reward	–	–	–	–	7,000
– Gain/(loss) on modification of right-of-use assets and lease liabilities	11,808	(162)	(28)	(28)	–
– Net foreign exchange gain/(loss)	(5,373)	(2,628)	8,658	4,720	1,753
– Loss on modification of long-term trade debts	–	–	(9,896)	–	(9,321)
– Interest income of long-term trade debts	3,023	7,453	9,178	3,207	4,526
Distribution and selling expenses	(801,778)	(830,441)	(694,879)	(355,147)	(372,543)
Administrative and general expenses	(137,344)	(117,136)	(107,185)	(50,850)	(51,550)
Profit for the year/period	5,605	28,790	14,766	23,984	45,156

	For the year ended 31 December			As at 30 June
	2020	2021	2022	2023
	(audited)	(audited)	(audited)	(unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets	1,762,817	1,745,652	1,718,605	1,767,684
– Trade debts due from a former subsidiary	338,099	247,008	215,601	206,774
Total liabilities	435,539	391,058	344,545	346,713
Net assets	1,327,278	1,354,594	1,374,060	1,420,971

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Year ended 31 December 2021 (“FY2021”) compared to year ended 31 December 2020 (“FY2020”)

The Group’s revenue increased by approximately 5.8% in FY2021 as compared to FY2020. Such increase represented moderate recovery amidst the continuous impact of the COVID-19 pandemic. In particular, revenue of the largest retail and wholesale segment increased by approximately 4.3% which underpinned the majority of the recovery of the Group’s revenue during the year, while the smaller contract manufacturing segment experienced strong growth of 30.2%.

Net profit of the Group for FY2021 improved significantly to approximately RMB28.8 million from approximately RMB5.6 million for FY2020, which was mainly due to (i) the increase in total revenue; (ii) the improvement of gross profit margin from 55.9% to 57.9% due to improvement in gross profit margin of the retail and wholesale segment; and (iii) decrease of administrative and general expenses of approximately RMB20.2 million due to the decrease in lease expenses and the streamlining of the organisation, offset by (i) the increase in distribution and selling expenses due to the reduction of social insurance relief policies; and (ii) decrease in other income and expenses and other gains and losses mainly due to the absence of gain on modification of right-of use assets and lease liabilities in FY2021.

As at 31 December 2021, net assets of the Group increased to approximately RMB1,354.6 million from approximately RMB1,327.3 million as at 31 December 2020, generally in line with the operating results of the Group.

Year ended 31 December 2022 (“FY2022”) compared to FY2021

The Group’s revenue decreased by approximately 15.2% in FY2022 as compared to FY2021. Revenue of the retail and wholesale segment decreased from approximately RMB1,438.9 million in FY2021 to approximately RMB1,152.7 million in FY2022, representing a decrease of approximately 19.9%. Such decrease was predominantly due to the continuous impact of the COVID-19 pandemic which had an adverse impact on revenue. For instance, the pandemic resulted in shortening of store opening hours or temporary closure of stores in some cases, limited logistics which affected transportation of products and reduced customer flow.

Net profit of the Group for FY2022 decreased significantly to approximately RMB14.8 million from approximately RMB28.8 million for FY2021, which was mainly due to a combined effect of (i) the decrease in total revenue; (ii) the deterioration of gross profit margin from 57.9% to 55.5% due to the decrease in the proportion of revenue from retail and wholesale segment, which has higher gross profit margin; (iii) the decrease in government grants of approximately RMB11.0 million; and (iv) the loss on modification of long-term trade debts (the “**Trade Debts**”) due from a former subsidiary of the Group of approximately RMB9.9 million, offset by (i) the decrease of distribution and selling expenses of approximately RMB135.6 million due to the decrease in channel fees and salary expenses as a result of the decrease in revenue; and (ii) the net foreign exchange gain of approximately RMB8.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2022, net assets of the Group increased to approximately RMB1,374.1 million from approximately RMB1,354.6 million as at 31 December 2021. Such increase was generally in line with the operating results of the Group.

Six months ended 30 June 2023 (“1H 2023”) compared to six months ended 30 June 2022 (“1H 2022”)

The Group’s revenue recovered from approximately RMB715.1 million for 1H 2022 to approximately RMB787.9 million for 1H 2023. This was mainly attributed to the improvement in revenue from its largest segment of retail and wholesale business, which was previously adversely affected by the COVID-19 pandemic. For instance, the pandemic impacted store opening hours, store availabilities and customer flows. Revenue level partially recovered in 1H 2023 as the COVID-19 pandemic progressively subsided resulting in the lifting of pandemic-related restrictions.

The net profit of the Group increased from approximately RMB24.0 million for 1H 2022 to approximately RMB45.2 million for 1H 2023. We noted that other than changes in revenue level, the Group’s net profit had mainly been affected by government grants and government rewards, as well as loss on modification of the Trade Debts. These Trade Debts amounted to approximately RMB215.6 million and RMB206.8 million as at 31 December 2022 and 30 June 2023 respectively. The repayment date of the Trade Debts had previously been extended twice from the original due date on 31 May 2022 to 31 May 2024 currently.

In particular, as compared with 1H 2022, the increase in net profit in 1H 2023 of approximately RMB21.2 million was attributable to the combined effect of (i) an increase in total revenue; (ii) an increase in government grant and government reward of approximately RMB13.2 million; and (iii) a loss on modification of the Trade Debts of approximately RMB9.3 million due to a further extension of repayment date in February 2023.

As at 30 June 2023, the Group recorded net assets of approximately RMB1,421.0 million, representing an increase of approximately 3.2% as compared to approximately RMB1,374.1 million as at 31 December 2022. Such increase was generally in line with the operating results of the Group.

Overall, we observed that the financial performance of the Group had fluctuated between FY2020 and FY2022, generally affected by the onset of the COVID-19 pandemic. Profitability had improved more recently in 1H FY2023 as the Group emerged from negative impact of the COVID-19 pandemic. We however noted that the Group’s profit and loss situations were also affected by non-recurring or fluctuating items such as one-off government rewards, loss on modification of the Trade Debts and foreign exchange gains or losses. We also noted from the section headed “4. Material change” in Appendix II to the Composite Document that subsequent to 1H FY2023, the Group had incurred a withholding tax expense of approximately RMB30 million and may be recognising impairment expenses on the Trade Debts. We also observed that the Company does not have a history of declaring dividends where no pay out was made since at least 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 Outlook of the Group

The Group mainly operates in China's footwear industry, which we noted has been cyclical and fluctuating in the past few years. As the COVID-19 pandemic subsided which resulted in the lifting of pandemic-related restrictions, we have seen recovery in the Group's financial performance.

The Group stated in the 2023 Interim Report that it took a cautious view on the market outlook and is making timely and appropriate adjustments to its business model so as to respond to the ever-changing consumer preferences and the evolving market situation, and to maintain a sustainable development. These efforts include improving supply chain management, research and development, product design, choice of materials and inventory production process in addition to logistics management. The Group is also streamlining its organisational structure, monitoring store performance and improving quality control to better fulfil consumers' demands.

Looking ahead, despite the macro environment remains unstable and unpredictable and China's economic recovery still faces challenges and uncertainties, the Group believes its businesses are well-positioned for recovery post-COVID-19 pandemic if it can realise the potential of its aforesaid business model. In this respect, the Group has stepped up its efforts to expand its online and offline networks and to seize market share.

Overall, we concur that the Group is in the position to capitalise on post-COVID-19 pandemic recovery if it put in the efforts and resources as discussed above; although the extent, pace and timing of the positive impact to the Group's operations and financial performance will depend on, in particular, the state of China's overall economy as well as retail consumer sentiments which, as pointed out by the Company, remain unstable and unpredictable.

2. Background information of the Offeror

2.1 Information of the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and its principal activities consist of investments in the sectors of new consumer products, pharmaceuticals and advanced manufacturing across both domestic and international markets. The Offeror is directly and wholly owned by Ms. Cheng Xuanxuan.

2.2 The Offeror's intention in relation to the Company

According to the "Letter from the Board" in the Composite Document, Ms. Cheng Xuanxuan, through the Offeror, has been an investor in the Company since May 2022 and has, since then, gained further understanding of the reputation of the Group's brands in the domestic industry and among consumers, as well as the management of the Group. Ms. Cheng Xuanxuan aims to seek a controlling stake in the Company for long-term investment and expand the scope of her investments. She is optimistic about the future prospects, and the existing management, of the Group, and her decision to make the Offer reflects her confidence in and commitment to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is the intention of the Offeror that the existing business of the Group shall continue unaffected by the Offer, with no major changes planned after the close of the Offer. While the Group will remain in the footwear industry and steadily build on its strengths, the Offeror intends that the Group will further enhance its product positioning and increase its focus on the development of new retail business through multiple channels and new business models for distribution to expand the sustainable development of its offline business in China, while seeking cooperation and integration with high quality industry peers. Subject to the Group's business needs and prevailing market conditions, the Offeror intends that the Group will explore overseas markets and seek new cooperation opportunities.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (other than discontinuances in its ordinary and usual course of business); (ii) redeploy the fixed assets of the Group (other than redeployments in its ordinary and usual course of business); (iii) introduce any major changes in the existing operations and business of the Group; or (iv) acquire any new business or dispose of any existing business of the Group.

We further noted that the Offeror intends to exercise its right under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act and pursuant to Rule 2.11 of the Takeovers Code to compulsorily acquire all those Shares not acquired by the Offeror or parties acting in concert with it under the Offer, if the level of acceptances of the Offer Shares (or the Offeror and the Offeror Concert Parties' holding of the total issued share capital of the Company) reaches the prescribed threshold under Section 102(1) (or Section 103(1)) of the Bermuda Companies Act and not less than 90% of the Disinterested Shares are validly tendered for acceptance within the Compulsory Acquisition Entitlement Period.

Pursuant to Rule 15.6 of the Takeovers Code, where the Offeror has stated in the Composite Document its intention to avail itself of any powers of compulsory acquisition, the Offer may not remain open for acceptance for more than four months after the date of the Composite Document, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

2.3 Rationale of the Offer from perspectives of the Company and Disinterested Shareholders

2.3.1 From the perspective of the Company

Referring to the reasons for and benefits of the Offer for the Company in the "Letter from First Shanghai Securities" in the Composite Document, we noted that despite the Group's improved financial performance in 1H 2023, the Company believes it needs to transform its business in a challenging environment for China's footwear industry. We concur that in the face of macroeconomic pressures in China, in order for the Company to remain competitive in the face of these challenges, it must continue to be vigilant and implement structural transformation if and when needed, and these will require significant investment over a number of years, and the outcome/impact is uncertain and unpredictable.

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We note that from the Company's perspective, the listing platform of the Company has not been utilised for any equity fund raising since 2020 and share trading liquidity has also been low. Therefore, coupled with the ongoing costs of compliance required of a listed company on the Stock Exchange, we concur with the Board that the costs and efforts required to maintain listing status of the Group may not be economically justified.

From the perspective of the Company, a withdrawal of listing will indeed provide it with greater flexibility to make strategic investment decisions focused on the realisation of the Company's long-term value, without being concerned about the fluctuation of its short-term share performance, regulatory restrictions and compliance obligations arising from its listing status.

2.3.2 From the perspective of the Disinterested Shareholders

We concur that from the point of view of the Disinterested Shareholders, based on their own investment time horizon, certain Disinterested Shareholders may from time to time realise their investments in the Group. However, the liquidity of the Shares has been low based on thin trading volume and any disposal of a significant number of Shares on-market, if at all possible, may also result in downward pressure on the market price of the Shares. As such, the Disinterested Shareholders may experience difficulties in realising their shareholder interests in the Company. For details, please refer to the paragraph headed "4. Historical trading liquidity of the Shares" in this letter below.

The Offer provides an assured exit alternative for the Disinterested Shareholders to realise their investments in the Shares at a premium over the prevailing market prices of the Shares, enabling the redeployment of capital into other investments. For details, please refer to the paragraph headed "3. The Offer Price" in this letter below.

3. The Offer Price

3.1 Offer Price comparison

The Offer Price of HK\$0.16 per Offer Share represents:

- (i) a premium of approximately 8.11% over the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 39.13% over the closing price of HK\$0.115 per Share as quote on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 37.93% over the average of the closing prices of the Shares as quote on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.116 per Share;
- (iv) a premium of approximately 40.35% over the average of the closing prices of the Shares as quote on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.114 per Share;

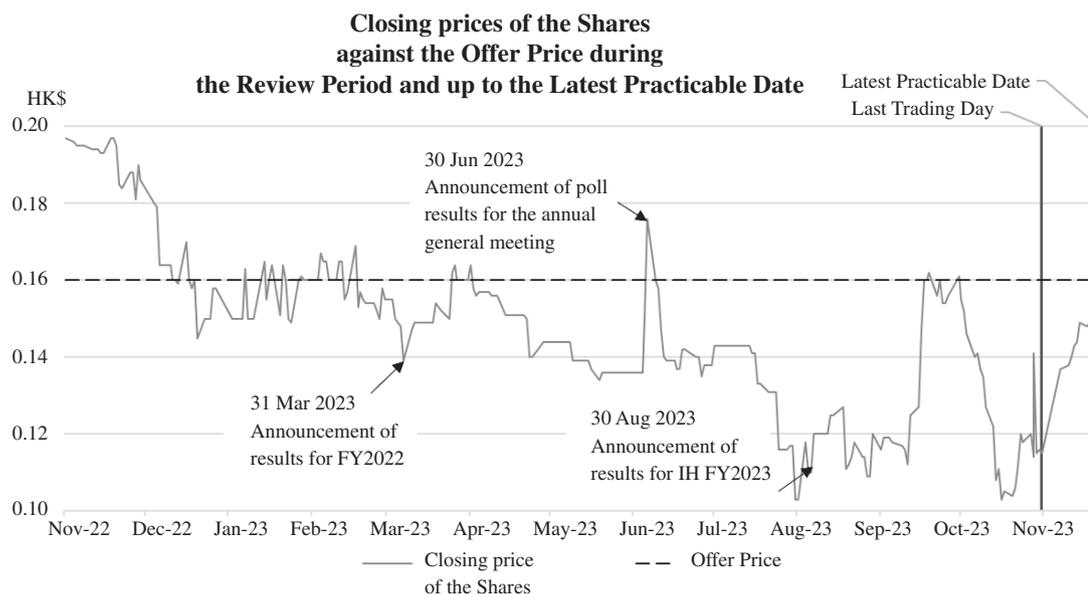
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) a premium of approximately 22.14% over the average of the closing prices of the Shares as quote on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.131 per Share;
- (vi) a discount of approximately 26.98% over the average of the closing prices of the Share as quote on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.126 per Share;
- (vii) a discount of approximately 77.59% to the audited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$0.714 as at 31 December 2022, based on the exchange rate of RMB1 to HK\$1.08; and
- (viii) a discount of approximately 78.35% to the unaudited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$0.739 as at 30 June 2023, based on the exchange rate of RMB1 to HK\$1.08.

3.2 Analysis of historical Share price movement

In assessing the reasonableness of the Offer, we have considered the historical movement of the price of the Shares, as well as the comparison between price of the Shares and the Offer Price.

Set out below is a chart showing the movement of the closing prices of the Shares against the Offer Price from 25 November 2022, being one year prior to the Last Trading Day to and including the Last Trading Day (the “**Review Period**”), and up to the Latest Practicable Date. We are of the view that the price performance of the Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company’s performance, outlook and effects of certain specific events, which may be relevant to our analysis.



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

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Over the Review Period, the highest and lowest closing price of the Shares were HK\$0.197 per Share on 25 November 2022, 12 and 13 December 2022 and HK\$0.103 per Share on 24 and 25 August 2023 and 9 November 2023 respectively. The average closing price of the Shares over the Review Period was approximately HK\$0.147 per Share.

From 25 November 2022 to 25 August 2023

The closing prices of the Shares trended downward during the period despite an abrupt spike around 30 June 2023 on low trading volume.

From 25 August 2023 to the Last Trading Day

The closing prices of the Shares experienced significant fluctuation during this period, following the announcement of the interim results for 1H FY2023. The closing prices of the Shares increased to HK\$0.16 per Share on 11 October 2023 and maintained at a similar level until a decline to around HK\$0.10 to HK\$0.12 in early November 2023 and up to the Last Trading Day. We have discussed and understood from the Management that they are not aware of any events or factors attributable to the significant fluctuation during such period.

Subsequent to the Last Trading Day to the Latest Practicable Date

The closing prices of the Shares increased to HK\$0.141 per Share on the date when the trading of the Share resumed subsequent to the Last Trading Day, and remained at the similar level up to the Latest Practicable Date.

Section summary

During the majority of the Review Period, the closing prices of the Share had consistently traded at a discount to the Offer Price with an average of approximately HK\$0.147 per Share, representing a discount of approximately 8.1% to the Offer Price. Subsequent to the Last Trading Day and up to the Latest Practicable Date, the closing prices of the Shares increased significantly but remained lower than the Offer Price. Therefore, from the perspective of the historical market trading price performance of the Shares, we are of the view that the Offer Price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Historical trading liquidity of the Shares

We have conducted a review on the trading liquidity of the Shares, and set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Review Period and up to the Latest Practicable Date as compared to the total number of issued Shares and the Disinterested Shares as at the Latest Practicable Date (i.e. 1,436,287,097 Shares).

Month	Average daily trading volume (Shares)	Approximate % of average daily trading volume to total issued Shares as at the Latest Practicable Date (Note) (%)	Approximate % of average daily trading volume to total number of Disinterested Shares as at the Latest Practicable Date (%)
Review Period			
2022			
November (starting from 25 November)	7,500	0.0004	0.0005
December	90,100	0.0043	0.0063
2023			
January	210,333	0.0101	0.0146
February	68,950	0.0033	0.0048
March	49,913	0.0024	0.0035
April	137,882	0.0066	0.0096
May	196,143	0.0094	0.0137
June	74,476	0.0036	0.0052
July	129,400	0.0062	0.0090
August	31,130	0.0015	0.0022
September	139,211	0.0067	0.0097
October	888,200	0.0428	0.0618
November (up to and including the Last Trading Day)	3,030,222	0.1459	0.2110
Average	387,004	0.0186	0.0269
Subsequent to the Review Period and up to the Last Practicable Date			
2023			
November (after the Last Trading Day and on the date of resumption of trading of the Shares, i.e. 30 November 2023)	29,847,000	1.4370	2.0781
December (up to the Latest Practicable Date)	3,785,636	0.1823	0.2636

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

Notes: Based on the total number of issued Shares as at each month or period end.

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As shown in the table above, the average daily trading liquidity of the Shares was low from the start of the Review Period, ranging from approximately 0.0004% to 0.1459% of the Group's total issued share capital, and approximately 0.0005% to 0.2110% of the Disinterested Shares. Such liquidity would suggest that any sale of large number of Shares on the market over a short period of time may be difficult without exerting downward pressure on the price of the Shares.

Subsequent to the Last Trading Day and up to the Latest Practicable Date, we noted that (i) the trading volume the date on which the trading of the Shares was resumed (i.e. 30 November 2023) represented approximately 1.4370% of the total issued share capital and approximately 2.0781% of the Disinterested Shares; and (ii) the average daily trading liquidity of the Shares increased to approximately 0.1823% of the Group's total issued share capital and approximately 0.2636% of the Disinterested Shares in December 2023 (up to the Latest Practicable Date). We believe such increase in liquidity is likely related to the announcement of the Offer, and such high level of trading liquidity may or may not be able to sustain during and/or after the Offer Period.

In light of the thin trading liquidity of the Shares during the Review Period, which were not affected by the Offer, the Offer provides an assured opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Offer Price regardless of the number of Shares they hold.

5. Market comparables

For market comparable analysis, we have attempted to identify listed companies on the Stock Exchange engaging in similar business of the Group (the "**Comparable Companies**").

In the selection of the Comparable Companies, our selection criteria focused on the companies that (i) are listed on the Main Board of the Stock Exchange; (ii) categorised under "footwear" on the Stock Exchange's website, which is the same as the Company's category; (iii) have business in China; and (iv) have their own retail brands.

For our market comparable analysis, given the nature of the Group's business is not asset heavy, we have used price-to-earnings ratio ("**P/E Ratio**", a commonly adopted parameter in assessing a company's value) to assess whether or not the Subscription Price is fair and reasonable against the Comparables Companies. Price-to-book ratio ("**P/B Ratio**") is less relevant to our analysis as (i) it is more commonly adopted for valuing asset-based companies such as those operating in the banking and real estate industries; and (ii) the Company's assets mainly include inventories, receivables and cash for working capital and investment purposes. As we noted that the Offer Price represents a discount of 77.59% and 78.35% to the consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2022 and 30 June 2023 respectively, for completeness, we have included the P/B Ratio analysis for the Disinterested Shareholders' reference.

The Comparable Companies below have been selected based on the above criteria and have been identified through our research based on information on the website of the Stock Exchange. We are of the view that it is an exhaustive list.

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Company	Stock code	Business Description	Net profits	Market capitalisation	P/E Ratio	P/B Ratio
			of the latest financial year (HK\$ million)	as at the Last Trading Day (Note 1) (HK\$ million)		
Daphne International Holdings Ltd.	210	The principal activity of the company is in distribution and licensing of footwear and accessories in China.	43.6	410	9.4	0.6
Viva Goods Co. Ltd.	933	Mainly engaged in the multi-brand footwear business. The company operates its business through two segments. The multi-brand Footwear segment is engaged in the design and development, brand promotion and sales of sports and leisure consumer products. The Sports Experience segment is engaged in the in the management and operation of sporting facilities and coordination of sports events and sports-related marketing services.	873.0	9,333	10.7	0.9
361 Degrees International Ltd.	1361	Principally engaged in the manufacturing and trading of sporting goods, including footwear, apparel and accessories. The company is also engaged in the operation of gas stations through its subsidiaries.	882.1	7,506	8.5	0.7
Xtep International Holdings Ltd.	1368	China-based company principally engaged in the design, development, manufacturing, sales, marketing and brand management of sports products, including footwear, apparel and accessories.	985.3	12,917	13.1	1.4
Stella International Holdings Ltd.	1836	Principally engaged in the development, manufacture and sales of footwear products.	901.4	7,575	8.4	1.0
Le Saunda Holdings Ltd.	738	The design, development, manufacture and retailing of ladies' and men's footwear, handbags and fashion accessories products.	Loss-making	292.9	N/A	0.4
Golden Solar New Energy Technology Holdings Ltd.	1121	The manufacture and sale of slippers, sandals, casual footwear, Graphene-based EVA Foam Material and Graphene-based Slippers, Sterilizing Chips and graphene air sterilizers, and Cast-mono wafers and Cast-mono HJT solar cells and modules in China.	Loss-making	10,477.5	N/A	15.4 (Note 5)
				Maximum	13.1	1.4
				Minimum	8.4	0.4
				Average	10.0	0.8
				Median	9.4	0.8

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company	Stock code	Business Description	Net profits	Implied market capitalisation	Implied P/E	Implied P/B
			of the latest financial year (HK\$ million)	as at the Last Trading Day (Note 3) (HK\$ million)	Ratio (Note 3) (Times)	Ratio (Note 4) (Times)
The Company	1028	The Company and its subsidiaries are a leading international integrated retailer and wholesaler of mid-to-premium women's formal and casual footwear in China.	15.9	332	20.8	0.2

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

Notes:

1. Calculated based on the closing share price as at the Last Trading Day and the number of shares in issue on the latest available monthly return on movements in securities of the respective company.
2. P/E Ratio was calculated based on the respective market capitalisation divided by their respective latest profit after tax reported in the respective companies' latest published annual report or annual results announcement.
3. The implied market capitalisation of the Group was calculated based on the Offer Price and the number of issued Shares as at the Last Trading Day. The implied P/E Ratio of the Group was calculated based on the implied market capitalisation divided by the Group's profit after tax published in the 2022 Annual Report. The implied P/B Ratio of the Group was calculated based on the implied market capitalisation divided by the Group's net assets published in the 2023 Interim Report.
4. The P/B Ratio was calculated based on the respective market capitalisation divided by their respective latest available net assets reported in the respective companies' latest published annual/interim report or annual/interim results announcement.
5. Golden Solar New Energy Technology Holding Ltd. was excluded in our P/B Ratio analysis due to the fact that (i) in addition to footwear business, it has other businesses dealing with graphene-based products and photovoltaic products; and (ii) its segment assets relating to footwear business only accounted for approximately 31.3% of its total segment assets as at 31 December 2022.

5.1. P/E Ratio

The P/E Ratios of the Comparable Companies ranged from approximately 8.4 time to 13.1 times. The implied P/E Ratio of the Group based on the Offer Price is approximately 20.8 times, which is above the range of the Comparable Companies. We noted there was a loss on modification of long-term trade debts from a former subsidiary of RMB9.9 million in FY2022. For illustration and adjusting the aforesaid item by adding the amount to the Group's net profit, the resultant implied P/E Ratio of the Group based on the Offer Price would have been approximately 12.5 times, which remains at the top end of the range of the Comparable Companies and above the average. Therefore, we are of the view that the Offer Price is fair and reasonable from the perspective of market comparable analysis using P/E Ratio.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.2 P/B Ratio

As at 30 June 2023, the Group's unaudited net assets amounted to approximately RMB1,421.0 million or HK\$0.739 per Share, based on 2,077,000,000 Shares in issue as at both the Last Trading Day and the Latest Practicable Date. The Offer Price is therefore at a discount of approximately 78.35% to the aforesaid unaudited net assets per Share, or an implied P/B Ratio based on the Offer Price of approximately 0.2 times. This is below the range of P/B Ratios of the Comparable Companies (i) between 0.4 times and 15.4 times; or (ii) between 0.4 times and 1.4 times (when Golden Solar New Energy Technology Holding Ltd. is excluded).

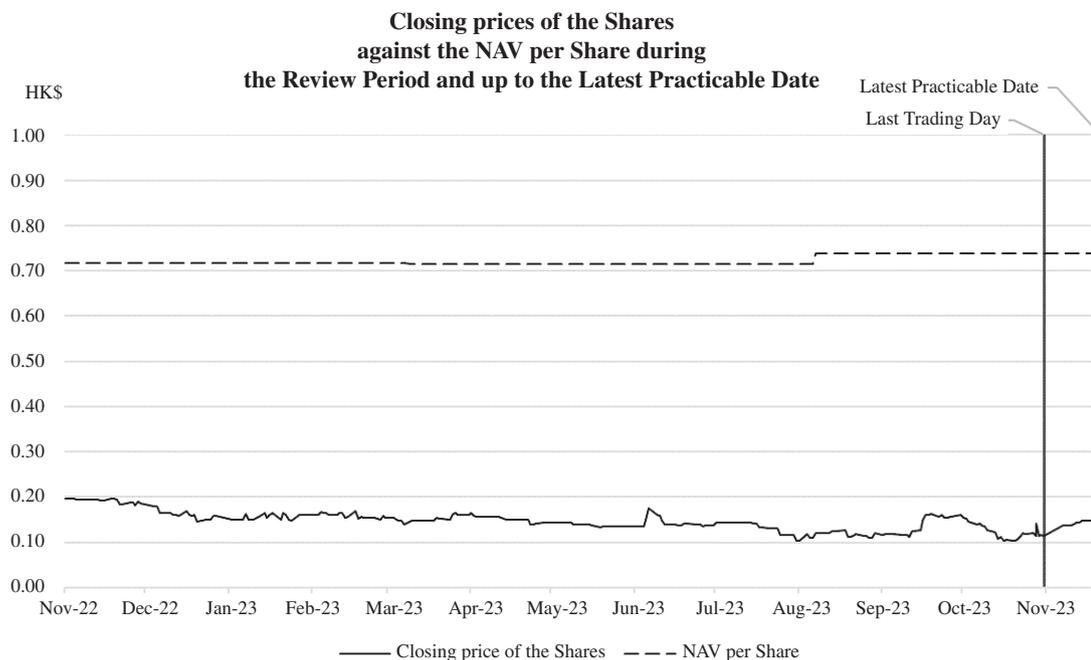
We have henceforth also reviewed the underlying composition of the Group's balance sheet as at 30 June 2023. Total assets amounted to approximately RMB1,767.7 million, of which non-current assets amounted to approximately RMB358.5 million and consisted mainly of property, plant and equipment (approximately RMB137.9 million) and right-of-use assets (approximately RMB74.0 million). According to the 2022 Annual Report, the main components of property, plant and equipment are construction in progress and leasehold improvements. Based on our research and discussion with the Management, we understand that the Group's construction in progress in relation to its factories and leasehold improvements are designed for specific purposes relating to the Group's business. Consequently, unlike assets such as cash, real property and to a certain extent, trade receivables, specific factors such as liquidity discounts as a result of lack of sale and purchase transactions which could hamper value, should be considered.

Meanwhile, current assets, which amounted to approximately RMB1,409.1 million, included (i) bank balances and cash of approximately RMB582.2 million; (ii) inventories of approximately RMB384.5 million; and (iii) receivables and prepayments of approximately RMB442.5 million. Total liabilities amounted to approximately RMB346.7 million, and included mainly trade and bills payables and other payables. In the context of privatisation, we have considered the realisable value of the Group's assets and its obligations to meet its liabilities. In this regard, the priority of deployment of the Group's bank balances and cash will be to settle its trade and bills payables and other payables, and the remaining cash balance would be approximately RMB315.4 million. The potential realisation of the value of its inventories will be dependent on ongoing business climate so as to translate them into sales revenue, while recoverability of its trade receivables will be dependent on overall economic and business environment.

We also noted from the section headed "4. Material change" in Appendix II to the Composite Document that subsequent to 1H FY2023, the Group had incurred a withholding tax expense of approximately RMB30 million and may be recognising impairment expenses on the Trade Debts, which amounted to approximately RMB206.8 million as at 30 June 2023.

Overall, we are of the view that the lower implied P/B Ratio compared to Comparable Companies renders the Offer Price not favourable when viewed solely from this perspective. We have weighed this in conjunction with considerations such as (i) factors which may affect the realisable value of the Group's net assets as discussed above; and (ii) the persistent discount which the Shares had been trading at relative to its net assets value ("NAV") per Share during the Review Period (as shown in the graph below) and the Offer represents an opportunity to narrow this persistent discount. On balance, we are of the view that the Offer Price is justifiable.

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Notes:

1. Between 25 November 2022 and 31 March 2023, the NAV per Share was calculated and based on the unaudited consolidated net asset value of the Group as at 30 June 2022 divided by the number of Shares in issue on 31 March 2023.
2. Following the announcement of the Group's results for the year ended 31 December 2022 on 31 March 2023 (after trading hours), for the period between 1 April 2023 and 30 August 2023, the NAV per Share was calculated by reference to the audited consolidated net asset value of the Group as at 31 December 2022 divided by the number of Shares in issue on 30 August 2023.
3. Following the announcement of the Group's results for the six months ended 30 June 2023 on 30 August 2023 (after trading hours), for the period between 31 August 2023 and the Latest Practicable Date, the NAV per Share was calculated by reference to the unaudited consolidated net asset value of the Group as at 30 June 2023 divided by the number of Shares in issue on the Last Trading Day.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Privatisation precedents

We are of the view that past privatisation transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Offer Price considering these companies are from different industries, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Disinterested Shareholders.

RECOMMENDATIONS

In summary, in relation to the Offer, we have considered the below factors and reasons in reaching our conclusion and recommendations:

- (i) financial performance of the Group had been fluctuating and it had not declared dividends in the past few years;
- (ii) while it is in the position to capitalise on post-COVID-19 pandemic recovery, the extent, pace and timing of the positive impact to the Group's operations and financial performance will depend on, in particular, the state of China's overall economy as well as retail consumer sentiments which remain unstable and unpredictable;
- (iii) the Offer Price represented a premium of approximately 8.1% to the average closing prices per Share during the Review Period is approximately HK\$0.147 per Share. From the perspective of the historical market trading price performance of the Shares, we are of the view that the Offer Price is fair and reasonable;
- (iv) in light of the low trading liquidity of the Shares during the Review Period, the Offer provides an assured opportunity for the Disinterested Shareholders to realise their investment in the Company for cash at the fixed Offer Price regardless of the number of Shares they hold;
- (v) the implied P/E Ratio is above the range of the Comparable Companies, rendering the Offer Price fair and reasonable; and
- (vi) while the implied P/B Ratio is below the range of the Comparable Companies, when considered in conjunction with our analysis under the paragraph headed "5.2 P/B Ratio" above, we are of the view that the Offer Price is, on balance, justifiable.

In light of the above, we consider that the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders to accept the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As different Disinterested Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Disinterested Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Chang Sean Pey
Responsible Officer

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

1. PROCEDURES FOR ACCEPTANCE

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer. You should insert the total number of the Offer Shares for which the Offer is accepted. If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Offer and you have signed the form, the form will be returned to you for correction and resubmission.
- (b) Any corrected form must be resubmitted and received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be announced by the Offeror in compliance with the Takeovers Code and approved by the Executive. Subject to the Offer becomes unconditional, your Shares sold to the Offeror by way of acceptance of the Offer will be registered under the name of the Offeror or its nominee.
- (c) By signing and returning the Form of Acceptance, you warrant to the Offeror, First Shanghai Securities and the Company that you have not taken or omitted to take any action which will or may result in the Offeror and parties acting in concert with it, the Company, First Shanghai Securities or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or your acceptance thereof.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event by not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be announced by the Offeror in compliance with the Takeovers Code and approved by the Executive.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own and you wish to accept the Offer in full or in part, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company, through the Registrar, and send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees. In order to meet the deadline set by HKSCC Nominees, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your Investor Participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System before the deadline set by HKSCC Nominees.
- (f) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificates and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter.

If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not received your share certificate(s) and you wish to accept the Offer, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable authority to the Offeror to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the Form of Acceptance.

- (g) An acceptance of the Offer may not be counted as valid unless:
 - (i) it is received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be announced by the Offeror in compliance with the Takeovers Code and approved by the Executive, and the Registrar has recorded that such acceptance and any relevant documents required under paragraph (ii) below have been so received; and
 - (ii) the Form of Acceptance is duly completed and signed and is:
 - (1) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (2) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraphs of this paragraph (g)(ii)); or
 - (3) certified by the Registrar or the Stock Exchange.

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

- (h) No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) Seller's ad valorem stamp duty for transfer of Offer Shares arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. An amount equivalent to the aforesaid stamp duty will be deducted from the cash amount payable by the Offeror to such Shareholder who accepts the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (j) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event no later than 7 business days after the Offer has lapsed.
- (k) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (l) In making their decision, the Shareholders must rely on their own examination of the Group and the terms of the Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.

2. ACCEPTANCE PERIOD AND REVISION

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the first Closing Date (with the first Closing Date being Wednesday, 10 January 2024) in accordance with the instructions printed on the relevant Form of Acceptance.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the first Closing Date stating the results of the Offer and whether the Offer has been extended, revised or has expired.
- (c) If the Offer is extended, the announcement of such extension will state the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Shareholders before the Offer is closed to those Shareholders who have not accepted the Offer.
- (d) If, in the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.
- (e) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

3. ANNOUNCEMENT

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement in accordance with the Listing Rules and the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on Wednesday, 10 January 2024 stating the results of the Offer and whether the Offer has been revised, extended or has expired. The announcement will state the following:

- (a) the total number of Shares and rights over Shares for which acceptances of the Offer has been received;
- (b) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and its concert parties before the Offer Period;
- (c) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror and its concert parties; and
- (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in which the Offeror and any of its concert parties have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of voting rights represented by these numbers of Shares.

In computing the total number of Offer Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in this Appendix I, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

4. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the Conditions set out in the “Letter from First Shanghai Securities” in this Composite Document and being declared unconditional in all respects. Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (a) and (b) below:

- (a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the first Closing Date (with the first Closing Date being Wednesday, 10 January 2024) and if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar; and
- (b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “3. Announcement” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than 7 business days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Shareholder(s).

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

5. SETTLEMENT

If you accept the Offer, settlement of the consideration (less seller’s ad valorem stamp duty) will be made by cheque as soon as possible, but in any event no later than seven Business Days of the date of receipt of a complete and valid acceptance of the Offer, or of the date on which the Offer becomes or is declared unconditional in all respects, whichever is the later. Each cheque will be despatched by ordinary post to the address specified on the relevant Form of Acceptance at his/her/its own risk.

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

Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to the Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Shareholders may be prohibited or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.

Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror and that all local laws and requirements have been complied with and that the Offer can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.

The Shareholders are encouraged to read this Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Shareholders (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer.

7. NOMINEE REGISTRATION

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

8. TAX IMPLICATIONS

None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, associates or advisers or any persons involved in the Offer is in a position to advise the Shareholders on their individual tax implications. Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, associates or advisers or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer. In particular, acceptance of the Offer may potentially be liable to taxation in the PRC. Each Shareholder is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Offer applicable to him/her/it. Shareholders accepting the Offer shall be responsible to complete all necessary tax reporting formalities and pay all taxes and charges due in any relevant jurisdiction.

9. GENERAL

- (a) All communications, notices, the Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders at their addresses, in the case of Shareholders, specified on the relevant Form of Acceptance. None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, associates or advisers, or any other person involved in the Offer, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, First Shanghai Securities, First Shanghai Capital and the Company that the Shares acquired under the Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching thereto including, the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the despatch date of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (d) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (f) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (g) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or First Shanghai Securities (or such person or persons as the Offeror and/or First Shanghai Securities may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in either Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.

- (h) Save for the payment of stamp duty, settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.
- (i) The Offer is made in accordance with the Takeovers Code.
- (j) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (k) Should Shareholders have any enquiries concerning administrative matters, such as dates, documentation and procedures relating to the Offer, the Shareholders may contact the Registrar, Computershare Hong Kong Investor Services Limited, at its hotline (852) 2862 8555 during the period from Wednesday, 20 December 2023 to the Closing Date of the Offer between 9:00 a.m. and 6:00 p.m. (Hong Kong time) on Mondays to Fridays, excluding Hong Kong public holidays. The hotline cannot and will not provide advice on the merits of the Offer or give financial or legal advice. If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.
- (l) In making their decision, Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (m) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of certain audited consolidated financial information of the Group (i) for the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 as extracted from the annual reports for the year ended 31 December 2020, 2021 and 2022 and the interim report for the six months ended 30 June 2023 published by the Company in accordance with the Listing Rules.

	For the year ended 31 December			For the six months ended
	2020	2021	2022	30 June 2023
	(audited)	(audited)	(audited)	(unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	1,539,368	1,629,120	1,381,742	787,909
Profit before taxation	14,813	50,484	17,335	68,627
Income tax expenses	(9,208)	(21,694)	(2,569)	(23,471)
Profit/(loss) attributable to:				
Owners of the Company	6,179	27,346	14,789	45,442
Non-controlling interests	(574)	1,444	(23)	(286)
Total comprehensive income/ (expenses) attributable to:				
Owners of the Company	6,179	27,169	19,489	47,197
Non-controlling interests	(574)	1,444	(23)	(286)
Dividends				
Dividends per share	–	–	–	–
Earnings per share				
– Basic (RMB cents)	0.30	1.32	0.71	2.19
– Diluted (RMB cents)	0.30	1.32	0.71	2.19

Save as disclosed above, there are no other items of income or expense which are material for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the six months ended and 30 June 2023.

The consolidated financial statements of the Group for the three years ended 31 December 2020, 2021 and 2022 were audited by Zhonghui Anda CPA Limited. No qualified opinion was given by the auditor of the Group, Zhonghui Anda CPA Limited, in respect of the Group's audited consolidated financial statements for the financial years ended 31 December 2021 and 2022.

For the financial year ended 31 December 2020, the Group's auditor issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 in respect of the possible effects of the matters described in the Basis for Qualified Opinion section of its report, an extract of which is as follows:

“QUALIFIED OPINION

We have audited the consolidated financial statements of C.banner International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 84 to 195, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Corresponding figures

1) Hamleys Global Holdings Limited and its subsidiaries (collectively known as the “Disposal Group”)

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves concerning the balance of the Disposal Group, disposed during the year ended 31 December 2019. As the balances of the Disposal Group as at 1 January 2019 significantly affected the determination of the Group's performance for the year ended 31 December 2019, we were unable to determine whether adjustments to the Group's loss and loss for the year from discontinued operation of RMB102,159,000 might be necessary for the year ended 31 December 2019.

2) Toys segment

We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the recoverability of the property, plant and equipment, intangible assets and prepayment for rental expenses (collectively known as “Toys Assets”) as at 31 December 2018, in particular, based on the business results of the Toys segment. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Group's Toys Assets and provision on onerous contract of rental agreement at 31 December 2018 are necessary.

For the year ended 31 December 2019, the Group recorded the following depreciation, amortisation, written off and impairment loss. We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to these depreciation, amortisation, written off and impairment loss, and whether these depreciation, amortisation, written off and impairment loss should be recognised in the year ended 31 December 2019 or 31 December 2018.

	RMB'000
<i>Depreciation of right-of-use assets</i>	20,510
<i>Depreciation of property, plant and equipment</i>	7,045
<i>Amortisation of other intangible assets</i>	1,944
<i>Written off of property, plant and equipment</i>	12,446
<i>Impairment loss on prepayment</i>	10,000
<i>Impairment loss on right-of-use assets</i>	4,804
<i>Impairment loss on property, plant and equipment</i>	53,247
<i>Impairment loss on other intangible assets</i>	910

Any adjustments to the figures as described above might have a consequential effect on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statements are shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”); and (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**2023 Interim Financial Statements**”), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out on pages 84 to 195 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 28 April 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800429.pdf>

The 2021 Financial Statements are set out on pages 81 to 183 of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), which was published on 27 April 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700190.pdf>

The 2022 Financial Statements are set out on pages 175 to 271 of the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), which was published on 26 April 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600530.pdf>

The 2023 Interim Financial Statements are set out on pages 40 to 64 of the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”), which was published on 26 September 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0926/2023092600279.pdf>

The 2020 Financial Statements, the 2021 Financial Statements, the 2022 Financial Statements and the 2023 Interim Financial Statements (but not any other part of the 2020 Annual Report, the 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, apart from normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, or other similar indebtedness, financial lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that, save and except for the following information, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

1. As disclosed in the 2023 Interim Report, the Group recorded revenue and net profits of approximately RMB787.9 million and RMB45.2 million respectively for the six months ended 30 June 2023, representing an increase of approximately 10.2% and 88.3% respectively as compared to those for the six months ended 30 June 2022;
2. After the publication of the 2023 Interim Report and in November 2023, the Group paid a withholding tax of approximately RMB30 million in relation to a distribution from its subsidiaries in the PRC to its subsidiaries outside the PRC where such amount of tax paid is recognised as expenses in the Group's profit and loss account; and
3. The management of the Group from time to time and continuously assesses if there are any impairment indicators for the trade debts (the "**Trade Debts**") due from Mayflower (Nanjing) Enterprise Limited ("**Nanjing Mayflower**"), a former subsidiary of the Company, which amounted to approximately RMB206.8 million as at 30 June 2023. As the repayment date of the Trade Debts (originally due on 31 May 2022 and subsequently extended to 31 May 2023) had again been extended in February 2023 to be due on 31 May 2024, the management of the Group is currently making impairment assessment on the Trade Debts. Such assessment, including the impairment amount (if any), will be subject to a number of factors including (i) the fair value of the land use rights and buildings pledged by Nanjing Mayflower in favour of the Group; (ii) the amount of Trade Debts collected to-date (if any); and (iii) the continuous discussions with Nanjing Mayflower (if any) on the repayment plan/schedule.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer and the Group to the Shareholders.

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

2. SHARE CAPITAL**Share Capital**

As at the Latest Practicable Date, the authorized share capital of the Company was US\$300,000,000 divided into 20,000,000,000 shares of US\$0.015 each. The number of issued and paid-up Shares as at the Latest Practicable Date was 2,077,000,000 Shares.

All the issued Shares are fully paid and rank pari passu in all respects including, in particular, the rights in respect of capital, dividend and voting.

As at the Latest Practicable Date, the Company had not issued any new Shares since 31 December 2022, being the date to which the latest audited financial statements of the Company were made up.

As at the Latest Practicable Date, there were no Share awards granted to any grantees under the Share Award Scheme which remained unvested, and all vested Share awards had been transferred to the relevant grantees upon vesting, and hence the Share Award Scheme Trustee did not hold any Shares. As at the Latest Practicable Date, the Company had no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares.

3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange (i) on 24 November 2023, being the Last Trading Day prior to the publication of the Rule 3.5 Announcement; (ii) on the Latest Practicable Date; and (iii) on the last trading day of each of the calendar months during the Relevant Period:

Date	Closing price per Share (HK\$)
31 May 2023	0.144
30 June 2023	0.176
31 July 2023	0.143
31 August 2023	0.120
29 September 2023	0.118
31 October 2023	0.141
24 November 2023 (being the Last Trading Day)	0.115
30 November 2023	0.141
15 December 2023 (being the Latest Practicable Date)	0.148

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.176 on 30 June 2023 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.103 on 24 August 2023, 25 August 2023 and 9 November 2023.

4. DISCLOSURE OF INTERESTS

For the purposes of paragraphs 4 to 5 in this Appendix III, “interested” and “interests” have the same meaning as ascribed to these terms in Part XV of the SFO.

Directors and the chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed in “Shareholding Structure of the Company” in the “Letter from the Board” in this Composite Document and below, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associates (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

Name of Director	Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
Mr. Chen Yixi	Interest in a controlled corporation (<i>Note 1</i>)	280,000,000 (long position)	13.48%
Mr. Miao Bingwen	Interest in a controlled corporation (<i>Note 2</i>)	80,000,000 (long position)	3.85%
	Beneficial owner	20,000,000 (long position)	0.96%
Mr. Wu Weiming	Beneficial owner	50,000 (long position)	Less than 0.01%
Mr. Zhang Baojun	Beneficial owner	1,327,000 (long position)	0.06%

Notes:

1. Mr. Chen Yixi is the beneficial owner of all the issued share capital of Hongguo which holds 280,000,000 Shares in long position.
2. Mr. Miao Bingwen is the beneficial owner of all the issued share capital of Sure Manage which holds 80,000,000 Shares in long position.

Substantial Shareholders' interests and short positions in the Shares, underlying Shares and securities of the Company.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
Hongguo	Beneficial owner	280,000,000 (long position)	13.48%
Arch Capital Group Ltd (<i>Note 1</i>)	Interest in a controlled corporation	127,387,086 (long position)	6.13%
ADM Galleus Fund II Limited (<i>Notes 1 and 2</i>)	Interest in a controlled corporation	127,387,086 (long position)	6.13%
ADM Investment Management Limited (<i>Note 3</i>)	Interest in a controlled corporation	127,387,086 (long position)	6.13%

Name of shareholder	Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
UTAH Retirement Systems (<i>Note 2</i>)	Interest in a controlled corporation	127,387,086 (long position)	6.13%
Utah State Retirement Investment Fund (<i>Note 2</i>)	Interest in a controlled corporation	127,387,086 (long position)	6.13%
Eight Dragons Investments Limited (<i>Notes 1 and 2</i>)	Person having a security interest in shares	127,387,086 (long position)	6.13%
OCI International Holdings Limited (<i>Note 4</i>)	Person having a security interest in shares	131,000,000 (long position)	6.13%
China Huarong Asset Management Co., Ltd. (<i>Note 5</i>)	Interest in a controlled corporation	123,750,000 (long position)	5.96%
		41,250,000 (short position)	1.99%
Huarong Huaqiao Asset Management Co., Ltd. (<i>Note 5</i>)	Interest in a controlled corporation	123,750,000 (long position)	5.96%
		41,250,000 (short position)	1.99%
Timely Assets Global Limited (<i>Note 5</i>)	Beneficial owner	123,750,000 (long position)	5.96%
		41,250,000 (short position)	1.99%

Notes:

- (1) Eight Dragons Investments Limited has a security interest in 127,387,086 Shares. According to the corporate substantial shareholder notice dated 18 January 2018 submitted by Arch Capital Group Ltd, Arch Capital Group Ltd holds 100% shareholding in Arch Reinsurance Ltd. Arch Reinsurance Ltd holds 43.70% shareholding in ADM Galleus Fund II Limited, which in turn holds 74.95% shareholding in Eight Dragons Investments Limited. Therefore, the above entities are deemed to be interested in 127,387,086 Shares, in which Eight Dragons Investments Limited is interested.
- (2) Eight Dragons Investments Limited has a security interest in 127,387,086 Shares. According to the corporate substantial shareholder notice dated 18 January 2018 submitted by UTAH Retirement Systems, UTAH Retirement Systems holds 100% shareholding in Utah State Retirement Investment Fund. Utah State Retirement Investment Fund holds 54.90% shareholding in ADM Galleus Fund II Limited, which in turn holds 74.95% shareholding in Eight Dragons Investments Limited. Therefore, the above entities are deemed to be interested in 127,387,086 Shares, in which Eight Dragons Investments Limited is interested.

- (3) Eight Dragons Investments Limited has a security interest in 127,387,086 Shares. According to the corporate substantial shareholder notice dated 18 January 2018 submitted by ADM Investment Management Limited, it holds 100% shareholding in ADM Galleus Fund II Limited, which in turn holds 74.95% shareholding in Eight Dragons Investments Limited. Therefore, the above entities are deemed to be interested in 127,387,086 Shares, in which Eight Dragons Investments Limited is interested.
- (4) According to the corporate substantial shareholder notice dated 30 May 2022 submitted by OCI International Holdings Limited, OCI International Holdings Limited holds 100% of OCI Capital (BVI) Limited, which in turn holds 100% of OCI Capital Limited. OCI Capital Limited has a security interest in 131,000,000 Shares. Therefore, OCI International Holdings Limited is deemed to be interested in 131,000,000 Shares, in which OCI Capital Limited is interested.
- (5) According to the corporate substantial shareholder notice dated 25 April 2023 submitted by China Huarong Asset Management Co., Ltd. (as an amendment to its corporate substantial shareholder notice filed on 10 March 2020), Timely Assets Global Limited is the beneficial owner of 123,750,000 Shares in long position and 41,250,000 Shares in short position. China Huarong Asset Management Co., Ltd. holds 100% shareholding in Huarong Zhiyuan Investment & Management Co., Ltd.. Huarong Zhiyuan Investment & Management Co., Ltd. holds 91% shareholding in Huarong Huaqiao Asset Management Co., Ltd., which in turn holds 100% shareholding in China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited holds 100% shareholding in Pure Virtue Enterprises Limited, which in turn holds 100% shareholding in Timely Assets Global Limited. Therefore, the above entities are deemed to be interested in 123,750,000 Shares in long position and 41,250,000 Shares in short position, in which Timely Assets Global Limited is interested.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no person had an interest or a short position in the Shares or the underlying Shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. ADDITIONAL DISCLOSURE OF INTERESTS

During the Relevant Period:

- (i) neither the Company, nor any member of the Group, was interested in any shares of the Offeror or any warrants, options, convertible securities or derivatives in respect of any shares of the Offeror;
- (ii) none of the Directors was interested in the shares of the Offeror or any warrants, options, convertible securities or derivatives in respect of any shares of the Offeror;
- (iii) save as disclosed in the section headed “4. Disclosure of Interests” in this Appendix III, none of the Directors was interested in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares;

- (iv) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code (but excluding any exempt principal trader and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (v) save for the Chen Irrevocable Undertaking, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or any of the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (vi) no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (vii) none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares; and
- (viii) there was no understanding, arrangement or agreement which constitute a special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

As at the Latest Practicable Date, (i) Mr. Chen Yixi had irrevocably undertaken to the Offeror not to accept the Offer in respect of all 280,000,000 Shares owned by Mr. Chen Yixi (through Hongguo), (ii) Mr. Miao Bingwen intended to accept the Offer in respect of all 100,000,000 Shares held by him (personally and through Sure Manage), (iii) Mr. Wu Weiming intended to accept the Offer in respect of all 50,000 Shares held by him, (iv) Mr. Zhang Baojun intended to accept the Offer in respect of all 1,327,000 Shares held by him, and (v) none of the other Directors held any Shares.

6. DEALINGS IN SECURITIES

During the Relevant Period:

- (i) none of the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (ii) none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares;

- (iii) none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iv) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and
- (v) no person between whom there is arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or any of the Company’s associates by virtue of classes, (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. LITIGATION

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

8. MATERIAL CONTRACTS

The Group had not entered into any material contract (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by the members of the Group) within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, which is or may be material.

9. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

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

10. DIRECTORS' SERVICE CONTRACTS

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

Name of Director	Title	Commencement date of the service contract	Expiry date of the service contract	Remuneration per annum (Note 1)
Mr. Chen Yixi	Executive director	1 January 2021	31 December 2023	HK\$3,000,000 (Note 2)
Mr. Yuan Zhenhua	Executive director	12 December 2022	11 December 2025	RMB1,400,000
Mr. Wu Weiming	Executive director	29 November 2022	28 November 2025	RMB1,000,000
Mr. Zhang Baojun	Executive director	6 August 2021	5 August 2024	RMB800,000
Mr. Miao Bingwen	Non-executive director	1 January 2021	31 December 2023	HK\$200,000
Mr. Kwong Wai Sun Wilson	Independent non-executive director	1 January 2021	31 December 2023	HK\$200,000
Mr. Xu Chengming	Independent non-executive director	6 August 2021	5 August 2024	HK\$200,000
Mr. Zheng Hongliang	Independent non-executive director	23 April 2021	22 April 2024	HK\$200,000

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any other member of the Group nor were there any other service agreements proposed to be entered into by any of the Directors which would not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

Notes:

- (1) Each of the Directors serves as a Board committee member from time to time during the term of their service contracts and receives variable emoluments for such roles, the amount of which is determined by the Board on an annual basis. For details of the Directors' total emoluments, please refer to Note 12 headed "Directors', Chief Executive's and Employees' Emoluments" in the Notes to the Consolidated Financial Statements in the 2022 Annual Report, which was published on the websites of the Company and the Stock Exchange, and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600530.pdf>.
- (2) Mr. Chen Yixi's service contract does not stipulate any fixed remuneration, but instead provides that his remuneration and discretionary bonus may be decided by the Board and the remuneration committee of the Company. For each of the financial years ended 31 December 2021 and 2022, Mr. Chen Yixi received salaries and other benefits (not including share-based payments) of approximately HK\$3,000,000 per annum. For details of Mr. Chen Yixi's total emoluments, please refer to the aforesaid Note 12 in the Notes to the Consolidated Financial Statements in the 2022 Annual Report.

11. EXPERT AND CONSENT

The following are the name and qualification of the expert who has been engaged by the Company and named in this Composite Document or who has given opinion or advice which is contained in this Composite Document:

Name	Qualification
Altus	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee

Altus has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which it appears.

12. MISCELLANEOUS

- (i) The registered address of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (ii) The address of the principal place of business of the Company in Hong Kong is Suite 1503, Level 15, Admiralty Centre Tower 1, 18 Harcourt Road, Admiralty, Hong Kong.
- (iii) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The principal business address of Altus is 21 Wing Wo Street, Central, Hong Kong.
- (v) In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) on the websites of the SFC at www.sfc.hk and the Company at www.cbanner.com.cn; and (ii) during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the principal place of business of the Company in Hong Kong at Suite 1503, Level 15, Admiralty Centre Tower 1, 18 Harcourt Road, Admiralty, Hong Kong during the period from the date of this Composite Document up to as long as the Offer remains open for acceptance:

- (i) the memorandum of association and the amended and restated by-laws of the Company adopted on 30 June 2022;
- (ii) the memorandum and articles of association of the Offeror;

- (iii) the annual reports of the Company for the three financial years ended 31 December 2020, 2021 and 2022 respectively and the interim report of the Company for the six months ended 30 June 2023;
- (iv) the letter from First Shanghai Securities, the text of which is set out in this Composite Document;
- (v) the letter from the Board, the text of which is set out in this Composite Document;
- (vi) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (viii) the service contracts referred to under the section headed “10. Directors’ Service Contracts” in this Appendix III;
- (ix) (i) the written consent referred to under the section headed “11. Expert and Consent” in this Appendix III and (ii) the written consents referred to under the section headed “5. Consents” in Appendix IV to this Composite Document;
- (x) the Irrevocable Undertakings;
- (xi) the loan facility agreement entered into between the Offeror as the borrower and First Shanghai Securities as the lender as disclosed in the paragraph headed “The Offer – Confirmation of Financial Resources” in the “Letter from First Shanghai Securities” in this Composite Document; and
- (xii) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS IN THE COMPANY

For the purposes of paragraphs 2 to 3 in this Appendix IV, “interested” and “interests” have the same meaning as ascribed to these terms in Part XV of the SFO.

The Offeror confirms that, as at the Latest Practicable Date, save as disclosed below, none of the Offeror, the Offeror Directors, nor any person acting in concert with any of them owned or controlled any Shares, convertible securities, warrants, options or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares:

Shareholders	As at the Latest Practicable Date	
	Number of Shares	Approximate percentage of shareholding
Offeror (wholly owned by Ms. Cheng Xuanxuan) <i>(Note 1)</i>	103,660,000	4.99%
Offeror Concert Parties whose Shares do not form part of the Offer Shares nor the Disinterested Shares		
– Mr. Chen Yixi (through Hongguo) <i>(Note 2)</i>	280,000,000	13.48%
– Mr. Wu Guangze (personally) <i>(Note 3)</i>	7,286,000	0.35%
– Mr. Wu Guangze (through CCM II) <i>(Note 3)</i>	48,000,000	2.31%
– Ms. Duan Wei (through Wise Orient) <i>(Note 4)</i>	99,410,903	4.79%
Offeror Concert Parties whose Shares form part of the Offer Shares but do not form part of the Disinterested Shares:		
– Mr. Miao Bingwen (personally) <i>(Note 5)</i>	20,000,000	0.96%
– Mr. Miao Bingwen (through Sure Manage) <i>(Note 5)</i>	80,000,000	3.85%
– Mr. Wu Weiming <i>(Note 6)</i>	50,000	Less than 0.01%
– Mr. Zhang Baojun <i>(Note 7)</i>	1,327,000	0.06%
– Mr. Huo Li <i>(Note 8)</i>	979,000	0.05%
Sub-total of the Offeror and the Offeror Concert Parties	640,712,903	30.85%

Notes:

1. The Offeror is directly and wholly owned by Ms. Cheng Xuanxuan, who is an Offeror Director and has agreed to provide a guarantee and charge her entire issued share capital in the Offeror in favor of First Shanghai Securities as the lender of the Loan Facilities. Ms. Cheng Xuanxuan is one of the Offeror Concert Parties.
2. Mr. Chen Yixi is an executive Director and the Chairman of the Company. As Mr. Chen Yixi has agreed to provide a guarantee and charge his entire issued share capital in Hongguo in favor of First Shanghai Securities as the lender of the Loan Facilities, Mr. Chen Yixi is presumed to be one of the Offeror Concert Parties by virtue of falling into class (9) of the definition of “acting in concert” in the Takeovers Code.

Hongguo is directly and wholly owned by Mr. Chen Yixi, and has agreed to provide a guarantee and pledge all the Shares held by itself in favor of First Shanghai Securities as the lender of the Loan Facilities. Therefore, Hongguo is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) and class (9) of the definition of “acting in concert” in the Takeovers Code.

3. Mr. Wu Guangze was a non-executive Director of the Company from 2012 to 2018, and has had a stake in the Company since 2012 by virtue of his affiliated funds’ shareholding in the Company. Mr. Wu Guangze was part of a “closely allied group of Shareholders” (within the meaning of Rule 14.45 of the Listing Rules) together with, among others, Mr. Chen Yixi for the Group’s major transaction involving the acquisition of Hamleys Global Holdings Limited in 2015. Mr. Wu Guangze was also the purchaser for the Group’s very substantial disposal of Allied Great International Holdings Limited in 2020. In light of his long-standing business relationship at the Company with Mr. Chen Yixi and other Directors, Mr. Wu Guangze is a de facto concert party of Mr. Chen Yixi, and is accordingly one of the Offeror Concert Parties. Moreover, under the Wu Irrevocable Undertaking, Mr. Wu Guangze has acknowledged that he will act in concert with the Offeror in respect of matters relating to the Offer.

As CCM II is directly and wholly owned by Mr. Wu Guangze, CCM II is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code.

4. Ms. Duan Wei is the mother of Mr. Wu Guangze, and is hence a “close relative” (with the meaning of the Takeovers Code) of Mr. Wu Guangze. Therefore, Ms. Duan Wei is presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code. Moreover, under the Duan Irrevocable Undertaking, Ms. Duan Wei has acknowledged that she will act in concert with the Offeror in respect of matters relating to the Offer.

As Wise Orient is directly and wholly owned by Ms. Duan Wei, Wise Orient is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code.

5. Mr. Miao Bingwen is a non-executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code.

As Sure Manage is directly and wholly owned by Mr. Miao Bingwen, Sure Manage is also presumed to be one of the Offeror Concert Parties by virtue of falling into class (8) of the definition of “acting in concert” in the Takeovers Code.

6. Mr. Wu Weiming is an executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code.
7. Mr. Zhang Baojun is an executive Director of the Company and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (6) of the definition of “acting in concert” in the Takeovers Code.
8. Mr. Huo Li is an Offeror Director and is presumed to be one of the Offeror Concert Parties by virtue of falling into class (2) of the definition of “acting in concert” in the Takeovers Code.

3. OTHER INFORMATION

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “2. Disclosure of Interests in the Company” in this Appendix IV, none of the Offeror or the parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (b) save for the Irrevocable Undertakings, none of the Offeror or parties acting in concert with it had received any irrevocable commitment to accept or reject the Offer;
- (c) save for the Irrevocable Undertakings, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company between any person and the Offeror or parties acting in concert with it. For the avoidance of doubt, and as further described in the section headed “The Offer – Confirmation of Financial Resources” in the “Letter from First Shanghai Securities” in this Composite Document:
 - (i) all of the Shares held by the Offeror, being 103,660,000 Shares (representing approximately 4.99% of all issued Shares) that do not form part of the Offer Shares, had been pledged to First Shanghai Securities as security for the Loan Facilities;
 - (ii) all of the Shares held by Hongguo, being 280,000,000 Shares (representing approximately 13.48% of all issued Shares) that do not form part of the Offer Shares, had been pledged to First Shanghai Securities as security for the Loan Facilities;
 - (iii) the entire issued share capital in each of the Offeror and Hongguo had been charged to First Shanghai Securities as security for the Loan Facilities; and
 - (iv) as and when the Offer Shares are validly tendered for acceptance and transferred to the Offeror, all such Offer Shares will be pledged to First Shanghai Securities as security for the Loan Facilities;
- (d) there was no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke any condition to the Offer;
- (e) none of the Offeror or parties acting in concert with it had entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities in the Company;
- (f) there was no understanding, arrangement, agreement or special deal between the Offeror or parties acting in concert with it on one hand and any Shareholder on the other hand;

- (g) other than the Offer Price to be paid by the Offeror for each Offer Share, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or parties acting in concert with it to the holders of the Offer Shares in connection with the Offer;
- (h) save for the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including compensation arrangement) which exists between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (i) none of the Offeror or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (j) save as disclosed in the section headed “4. Dealings in Securities” in this Appendix IV, none of the Offeror and parties acting in concert with it had dealt in the Shares, options, derivatives, warrants and/or other securities convertible into Shares during the Relevant Period;
- (k) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offer; and
- (l) save for the below, the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Offer to any other persons and had no agreement, arrangement or understanding with any third party to do so:

As security in favor of First Shanghai Securities as the lender of the Loan Facilities in respect of all amounts due under the Loan Facilities, among other things, the Offeror has agreed to pledge to First Shanghai Securities all the Shares held by itself, being 103,660,000 Shares (representing approximately 4.99% of all issued Shares) and all such Offer Shares as and when the Offer Shares are validly tendered for acceptance and transferred to the Offeror.

4. DEALINGS IN SECURITIES

During the Relevant Period,

- (a) save as disclosed below, none of the Offeror and parties acting in concert with it had dealt in the Shares, options, derivatives, warrants and/or other securities convertible into Shares:

First Shanghai Capital is acting as the financial adviser to the Offeror and First Shanghai Securities is making the Offer on behalf of the Offeror. Each of First Shanghai Capital and First Shanghai Securities is regarded as a party acting in concert with the Offeror pursuant to the Takeovers Code.

As security in favor of First Shanghai Securities as the lender of the Loan Facilities in respect of all amounts due under the Loan Facilities, among other things, (i) the Offeror had agreed to pledge to First Shanghai Securities all the Shares held by itself, being 103,660,000 Shares (representing approximately 4.99% of all issued Shares) and all such Offer Shares as and when the Offer Shares are validly tendered for acceptance and transferred to the Offeror; and (ii) Hongguo had agreed to pledge to First Shanghai Securities all the Shares held by itself, being 280,000,000 Shares (representing approximately 13.48% of all issued Shares).

Save as disclosed above, neither First Shanghai Capital nor First Shanghai Securities owned, controlled or had any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date. During the Relevant Period, save as disclosed above, neither First Shanghai Capital nor First Shanghai Securities had dealt for value in the Shares, options, derivatives, warrants and/or other securities convertible in Shares; and

- (b) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it, had dealt for value in the Shares, options, derivatives, warrants and/or other securities convertible into Shares.

5. CONSENTS

First Shanghai Securities and First Shanghai Capital have given and have not withdrawn their written consents to the issue of this Composite Document with the references to their respective names in the form and context in which they respectively appears.

6. GENERAL

- (1) As at the Latest Practicable Date, the Offeror was directly and wholly owned by Ms. Cheng Xuanxuan and the Offeror Directors were Ms. Cheng Xuanxuan and Mr. Huo Li. The correspondence address in Hong Kong of the Offeror Directors is Unit A & B, 22nd Floor, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (2) The Offeror is a company incorporated in the British Virgin Islands with limited liability. The registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. The correspondence address in Hong Kong of the Offeror is Unit A & B, 22nd Floor, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

- (3) The principal members of the Offeror Concert Parties are the Offeror, Ms. Cheng Xuanxuan, Mr. Chen Yixi, Hongguo, Mr. Wu Guangze, CCM II, Ms. Duan Wei and Wise Orient. As at the Latest Practicable Date, (i) Hongguo was directly and wholly owned by Mr. Chen Yixi and the director of Hongguo was Mr. Chen Yixi; (ii) CCM II was directly and wholly owned by Mr. Wu Guangze and the directors of CCM II were Mr. Wu Guangze and Ms. Cai Lin and (iii) Wise Orient was directly and wholly owned by Ms. Duan Wei and the director of Wise Orient was Ms. Duan Wei. The correspondence address in Hong Kong of Mr. Chen Yixi and Hongguo is Room 1503, 15/F, Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong. The correspondence address in Hong Kong of Mr. Wu Guangze, CCM II, Ms. Duan Wei and Wise Orient is Flat B, 1/F, Tower 1, Dynasty Court, 23 Old Peak Road, Mid-Levels, Hong Kong.
- (4) The registered office of First Shanghai Capital is at 19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (5) The registered office of First Shanghai Securities is at 19/F, Rm 2402-04 & 2505-10, Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (6) In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.