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

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

**Zhongying Int'l Holding
Group Limited**

*(Incorporated in Hong Kong
with limited liability)*



**太 睿 國 際 控 股 有 限 公 司
PacRay International Holdings Limited**

*(Incorporated in Bermuda with limited liability)
(Stock Code: 1010)*

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO MANDATORY CONDITIONAL CASH OFFER BY



FOR AND ON BEHALF OF ZHONGYING INT'L HOLDING GROUP LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF PACRAY INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY ZHONGYING INT'L HOLDING GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



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

A letter from SPDB International containing, among other things, details of the terms of the Offer is set out on pages 6 to 12 of this Composite Document. A letter from the Board is set out on pages 13 to 18 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 19 to 20 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice on the Offer to the Independent Board Committee is set out on pages 21 to 42 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Form of Acceptance should be received by the Registrar by no later than 4:00 p.m. on Tuesday, 2 February 2021 or such later time and/or date as the Offeror may determine and announce, in accordance with the requirements under the Takeovers Code.

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

This Composite Document will remain on the website at <http://www.hkexnews.hk> and on the website of the Company at <https://pacray.etnet.com.hk/> as long as the Offer remains open.

12 January 2021

CONTENTS

Expected Timetable	ii
Definitions	1
Letter From SPDB International	6
Letter from the Board	13
Letter from the Independent Board Committee	19
Letter from the Independent Financial Adviser	21
Appendix I – Further Terms of the Offer	I-1
Appendix II – Financial Information of the Group	II-1
Appendix III – General Information of the Offeror	III-1
Appendix IV – General Information of the Group	IV-1
Form of Acceptance	

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

2021

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (*Note 1*) Tuesday, 12 January

Latest time and date for acceptance of the Offer on the First Closing Date (*Notes 2 and 4*) 4:00 p.m.,
Tuesday, 2 February

First Closing Date (*Note 2*) Tuesday, 2 February

Announcement of the results of the Offer as at the First Closing Date, to be posted on the Stock Exchange's website (*Note 2*) By 7:00 p.m.
on Tuesday, 2 February

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

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

Final Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) (*Note 5*) Tuesday, 16 February

Announcement of the results of the Offer as at the Final Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date), to be posted on the website of the Stock Exchange No later than 7:00 p.m.
on Tuesday, 16 February

EXPECTED TIMETABLE

Latest date for posting of remittances in respect
of valid acceptances received under the Offer
after the First Closing Date but before 4:00 p.m.
on Tuesday, 16 February (assuming the Offer becomes or is
declared unconditional on the First Closing Date)
(Notes 3, 4 and 5) Thursday, 25 February

Latest time and date by which the Offer can
become or be declared unconditional as to
acceptances (Note 6) No later than 7:00 p.m.
on Monday, 15 March

Notes:

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the First Closing Date, unless the Offer becomes or is declared unconditional.
2. The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Tuesday, 2 February 2021 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. In accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on Tuesday, 2 February 2021 stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional. Assuming the Offer becomes or is declared unconditional on the First Closing Date, the Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. If the Offer does not become unconditional on or before Tuesday, 2 February 2021, the Offer will lapse unless the Offer is extended in accordance with the Takeovers Code. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed "5. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the despatch of remittances will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the despatch of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

EXPECTED TIMETABLE

5. Assuming the Offer becomes or is declared unconditional on the First Closing Date, the Offer should remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror may determine or as permitted by the Executive, in accordance with the Takeovers Code. If such right to extend the Offer is exercised, the Offeror will issue an announcement in relation to any such extension, which will state the next closing date or, if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice will be given before the Offer is closed, to those shareholders who have not accepted the Offer and an announcement will be published.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after posting of this Composite Document. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Monday, 15 March 2021, unless extended with the consent of the Executive.

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

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 to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a business day is a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	the First Closing Date or the Final Closing Date (as the case may be)
“Company”	PacRay International Holdings Limited (太睿國際控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	23 December 2020, the date on which Completion took place
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code
“Director(s)”	the director(s) of the Company
“Encumbrance(s)”	(i) any mortgage, charge, pledge, lien, hypothecation, encumbrances or other security arrangement of any kind; (ii) any option, equity, claim, adverse interest or other third party right of any kind; (iii) any arrangement by which any right is subordinated to any right of such third party; or (iv) any contractual right of set-off, including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	the date falling 14 days after the Offers become or are declared unconditional or if the Offers are extended, any subsequent closing date as and may be jointly announced by the Offeror and the Company in accordance with the Takeovers Code and approved by the Executive
“First Closing Date”	Tuesday, 2 February 2021, being the first closing date of the Offer (or such other date as revised or extended in accordance with the Takeovers Code)
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising Mr. Zhou Danqing, Ms. Ching Ching, Ms. Weng Yuzhen and Dr. Zhang Shengdong, formed for the purpose of advising the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, a wholly owned subsidiary of Shenwan Hongyuan (H.K.) Limited (stock code: 218.hk) and a non-wholly owned subsidiary of Shenwan Hongyuan Group Co., Ltd. (stock codes: 000166.sz and 6806.hk), being the independent financial adviser appointed by the Company to advise the Independent Board Committee on the Offer, which is a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it

DEFINITIONS

“Joint Announcement”	the joint announcement dated 22 December 2020 issued by the Company and the Offeror in respect of, among other things, the SPA and the Offer
“Last Trading Day”	21 December 2020, being the last trading day in the Shares immediately preceding the date of the Joint Announcement
“Latest Practicable Date”	8 January 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Offer”	the mandatory conditional cash offer being made by SPDB International on behalf of the Offeror (and parties acting in concert with it) in accordance with the Takeovers Code for the Offer Shares
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, being the period commencing from 22 December 2020 and ending on the Closing Date
“Offer Price”	HK\$1.345 per Offer Share
“Offer Share(s)”	all the Share(s) in issue and any Share(s) duly issued while the Offer remain open for acceptance, other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror” or “Purchaser”	Zhongying Int’l Holding Group Limited, a company incorporated in Hong Kong on 3 August 2017 with limited liability, a company wholly-owned by Mr. Duan Hongtao and Mr. Duan Chunchao as to 99% and 1% respectively
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) as shown on the register of members of the Company, is (are) outside Hong Kong

DEFINITIONS

“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company
“Relevant Period”	the period commencing from 22 June 2020, which is six months prior to 22 December 2020, being the date of commencement of the Offer Period, and ending on the Latest Practicable Date
“Sale Share(s)”	127,992,770 Shares, representing approximately 34.57% of the total issued share capital of the Company as at the Latest Practicable Date, sold by the Vendor to the Purchaser upon Completion, and each a Sale Share
“Sale Share(s) Purchase Price”	the total consideration in the sum of HK\$172,150,275.65 for the Sale Shares, representing HK\$1.345 per Share
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the agreement dated 22 December 2020 entered into among the Vendor and the Purchaser in respect of the transactions contemplated thereunder
“SPDB International”	SPDB International Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers



12 January 2021

To the Independent Shareholders

Dear Sir/Madam,

MANDATORY CONDITIONAL CASH OFFER BY



**FOR AND ON BEHALF OF
ZHONGYING INT'L HOLDING GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
PACRAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY
ZHONGYING INT'L HOLDING GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement. On 22 December 2020 (after trading hours), the Vendor and the Purchaser entered into the SPA, pursuant to which, the Vendor has conditionally agreed to sell and the Offeror conditionally agreed to purchase, in aggregate, the Sale Shares, representing approximately 34.57% of the existing issued share capital of the Company as at the Latest Practicable Date. The total consideration for the Sale Shares is HK\$172,150,275.65, equivalent to HK\$1.345 per Sale Share.

Completion took place on 23 December 2020. Immediately following Completion, the Offeror and parties acting in concert with it became interested in a total of 161,650,770 Shares, representing approximately 43.66% of the existing issued share capital of the Company as at the Latest Practicable Date. The Offeror is required to make a conditional mandatory cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

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

LETTER FROM SPDB INTERNATIONAL

The Independent 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” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

2. THE OFFER

SPDB International, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer to acquire all the Offer Shares, on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

The Offer Price

For each Offer Share HK\$1.345 in cash

Condition

The Offer is conditional upon the Offeror having received valid acceptances in respect of Offer Shares which, together with the Shares acquired or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding more than 50% of the voting rights of the Company.

The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offer will become unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Offer, as the case may be, in accordance with the Takeovers Code. Unless otherwise agreed to by the Executive, the latest time on which the Offer may become unconditional as to acceptances is by 15 March 2021.

As the Offer may or may not become unconditional, Shareholders and investors of the Company should exercise extreme caution when dealing in the securities of the Company and, if in doubt as to their position, consult their professional advisers.

Comparison of value

The Offer Price of HK\$1.345 per Offer Share represents:

- (i) a premium of approximately 72.44% over the closing price of HK\$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 82.25% over the average closing price of HK\$0.738 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 84.25% over the average closing price of HK\$0.73 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

LETTER FROM SPDB INTERNATIONAL

- (iv) a premium of approximately 97.50% over the average closing price of approximately HK\$0.681 per Share for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 371.93% over the audited consolidated net asset value of the Company of approximately HK\$0.285 per Share (based on 336,587,142 Shares in issue) as at 31 December 2019 (being the date to which the latest audited financial results of the Group were made up);
- (vi) a premium of approximately 378.65% over the unaudited consolidated net assets of the Company of approximately HK\$0.281 per Share (based on 336,587,142 Shares in issue) as at 30 June 2020; and
- (vii) a premium of approximately 1.13% over the closing price of HK\$1.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Value of the Offer

As at the Latest Practicable Date, there were 370,245,142 Shares in issue. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK\$1.345 per Share, the entire issued share capital of the Company is valued at approximately HK\$497,979,715.99. As the Offeror and parties acting in concert with it hold 161,650,770 Shares upon Completion, 208,594,372 Shares are subject to the Offer, and the aggregate cash consideration payable by the Offeror under the Offer is approximately HK\$280,559,430.34.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.5 per Share on 19 August 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.295 per Share on 7 July 2020.

Financial resources available to the Offeror

The Offeror financed the Sale Shares Purchase Price and the consideration payable under the Offer from its internal resources. SPDB International, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

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

LETTER FROM SPDB INTERNATIONAL

Effect of accepting the Offer

By accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document. The Company has no intention to declare any dividends or other distributions prior to the close of the Offer. In the event that the Company decides to declare any dividends or other distributions after the Latest Practicable Date and prior to the close of the Offer, the Offeror intends to reduce the Offer Price by such equivalent amount.

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

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by each accepting Independent Shareholder 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 acceptance of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such accepting Independent Shareholder (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar).

The Offeror bear its own portion of buyer's ad valorem stamp duty 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 acceptance of the Offer, whichever is higher, and will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant accepting Independent Shareholder 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.

Payment

Provided that the Offer has become, or has been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event, within seven (7) Business Days of the date on which (i) the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid; (ii) when the Offer has become or is declared unconditional, whichever is later.

3. INFORMATION ON THE GROUP

Details of the information on the Group are set out in the paragraph headed "Information on the Group" in the "Letter from the Board" in this Composite Document.

LETTER FROM SPDB INTERNATIONAL

4. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on 3 August 2017. It is an investment holding company. As at the Latest Practicable Date, its ordinary share capital is wholly owned by Mr. Duan Hongtao and Mr. Duan Chunchao as to 99% and 1% respectively. Mr. Duan Hongtao is engaged in various businesses including trading, yacht-related business, and investment, and is also a director of Bank of Huludao Co., Ltd (葫蘆島銀行股份有限公司). Mr. Duan Chunchao is engaged in the business of manufacturing and sales of yachts. There is no family relationship between Mr. Duan Hongtao and Mr. Duan Chunchao. Neither Mr. Duan Hongtao nor Mr. Duan Chunchao holds any directorship in any listed companies.

5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Upon Completion, the Offeror became the controlling Shareholder. After the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group and maintain the employment of the operational and administrative employees of the Group.

As at the Latest Practicable Date, the Offeror has no intention to dispose or downsize the business or the assets of the Group, and has no plan for any acquisition of assets and/or business of the Group. However, the Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Group for the purpose of formulating feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream. Subject to the results of the review, and should appropriate opportunities arise, the Offeror may consider rebalancing the resources of the Group. In view of the aforesaid, the Offeror is of the view that the Offer is in its long-term commercial interest.

The Board is currently made up of five executive Directors, one non-executive Director and three independent non-executive Directors. As at the Latest Practicable Date, the Offeror does not intend to nominate any new Directors to the Board immediately after the Offer. Any changes to the Board composition (if any) will be announced by the Company as and when appropriate in compliance with the Listing Rules.

6. COMPULSORY ACQUISITION

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

7. MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

LETTER FROM SPDB INTERNATIONAL

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

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

8. IMPORTANT NOTE TO SHAREHOLDERS OUTSIDE HONG KONG

The Offer is made in respect of securities of a company incorporated in Bermuda and subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The Offer is available to all Independent Shareholders including those with registered addresses outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong and the ability of Overseas Shareholders to participate in the Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The making of the Offer to Overseas Shareholders may be prohibited or limited by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of 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 or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

9. TAX IMPLICATIONS

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications that may arise from accepting or rejecting the Offer. It is emphasised that none of the Offeror, its beneficial owners and parties acting in concert with any of them, the Company, SPDB International, the Independent Financial Adviser, the Registrar or the company secretary of the Company or any of their respective directors or professional advisers or any other parties involved in the Offer or any of their respective agents accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. ACCEPTANCE AND SETTLEMENT

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

LETTER FROM SPDB INTERNATIONAL

11. GENERAL

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

None of the Offeror, its beneficial owners and parties acting in concert with any of them, the Company, SPDB International, the Independent Financial Adviser, the Registrar or the company secretary of the Company or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

12. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
SPDB International Capital Limited
Karlson Chan
Managing Director

LETTER FROM THE BOARD



太 睿 國 際 控 股 有 限 公 司
PacRay International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1010)

Executive Directors:

Yang Lin (*Chairman*)

Lau Mei Ying

Leung Pok Man

Li Weina

Xu Yinsheng

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Zhou Danqing

Principal Place of Business

in Hong Kong:

28th Floor

Agricultural Bank of China Tower

50 Connaught Road Central

Hong Kong

Independent non-executive Directors:

Ching Ching

Weng Yuzhen

Zhang Shengdong

12 January 2021

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
SPDB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF
ZHONGYING INT'L HOLDING GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
PACRAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY
ZHONGYING INT'L HOLDING GROUP LIMITED AND
THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement. On 22 December 2020 (after trading hours), the Vendor and the Purchaser entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 127,992,770 Sale Shares, representing approximately 34.57% of the existing issued share capital of the Company as at the Latest Practicable Date. The total consideration for the Sale Shares is HK\$172,150,275.65, equivalent to HK\$1.345 per Sale Share.

LETTER FROM THE BOARD

Prior to the Completion, the Offeror and parties acting in concert with it were interested in an aggregate of 33,658,000 Shares, representing approximately 9.09% of the existing issued share capital of the Company. Immediately following Completion, the Offeror and parties acting in concert with it were interested in a total of 161,650,770 Shares, representing approximately 43.66% of the existing issued share capital of the Company as at the Latest Practicable Date. The Offeror is required to make a conditional mandatory cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

As at the Latest Practicable Date, the Company has 370,245,142 Shares in issue. The Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares, as at the Latest Practicable Date.

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

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising the non-executive Director and all independent non-executive Directors, namely Mr. Zhou Danqing, Ms. Ching Ching, Ms. Weng Yuzhen and Dr. Zhang Shengdong, has been established by the Company, to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The above-named non-executive Director and independent non-executive Directors have no direct or indirect interest or involvement in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

Shenwan Hongyuan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to acceptance. The appointment of Shenwan Hongyuan as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

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

LETTER FROM THE BOARD

THE OFFER

The terms of the Offer as set out in the “Letter from SPDB International” are extracted below. You are recommended to refer to the “Letter from SPDB International” and the accompanying Form of Acceptance for further details.

SPDB International, on behalf of the Offeror, is making the Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

The Offer Price

For each Offer Share HK\$1.345 in cash

The Offer Price of HK\$1.345 per Offer Share is equal to the per Sale Share Purchase Price under the SPA which was arrived at after arm’s length negotiation between the parties to the SPA.

Condition

The Offer is conditional upon the Offeror having received valid acceptances in respect of Offer Shares which, together with the Shares acquired or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding more than 50% of the voting rights of the Company.

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

Information on the Group

The Company is incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) financial leasing in the PRC; (iii) money lending in Hong Kong; (iv) property investment; (v) aircraft business management; and (vi) investment holding.

LETTER FROM THE BOARD

The following table is a summary of certain consolidated financial information of the Group for the two financial years ended 31 December 2018 and 31 December 2019 respectively and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2020:

	Year ended 31 December		Six months ended
	2018	2019	30 June
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	60,709	74,339	35,332
Profit/(loss) before taxation	(40,167)	(22,353)	(582)
Profit/(loss) and total comprehensive income/(loss) for the year	<u>(42,755)</u>	<u>(23,663)</u>	<u>(1,243)</u>
Net assets	<u>118,348</u>	<u>95,911</u>	<u>94,606</u>

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately upon Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate% of issued Shares	Number of Shares	Approximate% of issued Shares
The Vendor ^(Note 1)	127,992,770	34.57	–	–
Vision2000 Venture Ltd. ^(Note 2)	106,043,142	28.64	106,043,142	28.64
The Offeror and its concert parties ^(Note 3)	33,658,000	9.09	161,650,770	43.66
Other Shareholders	<u>102,551,230</u>	<u>27.70</u>	<u>102,551,230</u>	<u>27.70</u>
Total	<u>370,245,142</u>	<u>100.00%</u>	<u>370,245,142</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Notes:

- (1) The Vendor is owned as to 95% by Mr. Tong Liang and 5% by Ms. Chu Yung-Yi, Mr. Tong Liang and Ms. Chu Yung-Yi are therefore deemed to be interested in the shares held by Glory Genius International Holdings Limited.
- (2) According to the form of disclosure of interests submitted by Mosel Vitelic Inc. on 27 June 1997, Vision2000 Venture Ltd. is the controlled corporation of Mosel Vitelic Inc., which is listed on the Taiwan Stock Exchange (stock code: 2342). Accordingly, Mosel Vitelic Inc. is deemed to be interested in the 106,043,142 shares of the Company held by Vision2000 Venture Ltd. Given that Vision2000 Venture Ltd. and the Vendor each owns more than 20% of the existing issued share capital of the Company, Vision2000 Venture Ltd. is therefore presumed to be acting in concert with the Vendor in accordance with class 1 of the definition of “acting in concert” in the Takeovers Code. An application had been made by the Offeror to the Executive for the rebuttal of the presumed concert party relationship between the Offeror and Vision2000 Venture Ltd. which would arise upon Completion, and the Executive has granted such rebuttal.
- (3) The Offeror is ultimately owned by Mr. Duan Hongtao and Mr. Duan Chunchao as to 99% and 1% respectively. Prior to Completion, Ever Digital Limited, a wholly owned subsidiary of the Offeror, owned the 33,658,000 Shares, representing approximately 9.09% of the then existing share capital of the Company. Immediately upon Completion and as at the Latest Practicable Date, Ever Digital Limited and the Offeror respectively held 33,658,000 Shares and 127,992,770 Shares, representing 9.09% and 34.57% of the existing share capital of the Company.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “4. Information on the Offeror” in the “Letter from SPDB International” as set out in this Composite Document.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed “5. Intention of the Offeror in relation to the Group” in the “Letter from SPDB International” as set out in this Composite Document. The Board is pleased to note that the Offeror intends to continue the existing principal businesses of the Group and maintain the employment of the operational and administrative employees of the Group. As at the Latest Practicable Date, the Offeror has no intention to dispose or downsize the business or the assets of the Group, and has no plan for any acquisition of assets and/or business of the Group. The Offeror also does not intend to nominate any new Directors to the Board immediately after the Offer. Any changes to the Board composition (if any) will be announced by the Company as and when appropriate in compliance with the Listing Rules.

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

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

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

LETTER FROM THE BOARD

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Offer, and the “Letter from the Independent Financial Adviser” of this Composite Document containing its advice to the Independent Board Committee in respect of the Offer.

ADDITIONAL INFORMATION

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

Yours faithfully,

By the order of the Board

PACRAY INTERNATIONAL HOLDINGS LIMITED

Yang Lin

Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.



太 睿 國 際 控 股 有 限 公 司

PacRay International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1010)

12 January 2021

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
SPDB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF
ZHONGYING INT'L HOLDING GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
PACRAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY
ZHONGYING INT'L HOLDING GROUP LIMITED AND
THE PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 12 January 2021 jointly issued by the Offeror and the Company (the "Composite Document"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Company to constitute 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 and as to the acceptance of the Offer. Shenwan Hongyuan has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from the Independent Financial Adviser" on pages 21 to 42 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from SPDB International" and the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the terms of the Offer and the advice from Shenwan Hongyuan, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, if the net proceeds from the sale of such Shares in the market would exceed the net proceeds receivable under the Offer. Nevertheless, the Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for the Independent Shareholders who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of the Shares will exert a downward pressure on the market price of the Shares.

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

Yours faithfully,

Independent Board Committee of
PacRay International Holdings Limited

Zhou Danqing
Non-executive Director

Ching Ching
Weng Yuzhen
Zhang Shengdong
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of independent advice from Shenwan Hongyuan Capital (H.K.) Limited for the purpose of inclusion in this Composite Document:



Shenwan Hongyuan Capital (H.K.) Limited
Level 17
28 Hennessy Road
Hong Kong

12 January 2021

To *The Independent Board Committee of
PacRay International Holdings Limited*

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
SPDB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF
ZHONGYING INT'L HOLDING GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
PACRAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY
ZHONGYING INT'L HOLDING GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 12 January 2021 jointly issued by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part, in connection with the Offer. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We, Shenwan Hongyuan Capital (H.K.) Limited, have been appointed as the independent financial adviser after your approval to advise you in connection with the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to acceptance. We are not aware of any relationships or interests with the Company or any other parties that could be reasonably regarded as relevant to our independence in this connection.

The Independent Board Committee, comprising the sole non-executive Director, namely Mr. Zhou Danqing, and all the three (3) independent non-executive Directors, namely Ms. Ching Ching, Ms. Weng Yuzhen and Dr. Zhang Shengdong, has been established to make a recommendation as to whether the Offer is, or is not, fair and reasonable and as to acceptance. The recommendation of the Independent Board Committee as regards the Offer is contained in its letter included in the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and statements supplied, opinions and representations expressed by the Company and the Directors and have assumed that all such information and statements supplied, opinions and representations expressed to us were true, accurate and complete in all material respects at the time they were provided. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information and statements supplied as well as opinions and representations expressed to us.

We consider that we have been provided with sufficient information to enable us to reach our advice and recommendations as set out in this letter and to justify our reliance on the accuracy of such information. We have no reason to suspect that any material facts or information (which are known to the Company) have been omitted or withheld from the information or statements supplied, or opinions or representations expressed to us nor to doubt the truth and accuracy of the information and statements supplied, or the reasonableness of the opinions and representations expressed to us. We have not, however, carried out any independent verification on the information provided to us by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business or affairs or future prospects of the Group and the Offeror.

In formulating our opinion, we have taken no account of tax implications, if any, on the Independent Shareholders in connection with the Offer. They are advised to consult their own professional advisers in this regard if they are in doubt. We do not accept the responsibility for any tax effects on or liabilities of any persons as a result of their acceptance of the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into account the following principal factors and reasons in arriving at our recommendations with regard to the Offer:

Background Leading to the Offer

The Offer Period commenced on 22 December 2020, on which the SPA was entered into whereby the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase, in aggregate, 127,992,770 Sale Shares, representing approximately 34.57% of the existing issued share capital of the Company as at the Latest Practicable Date. The total consideration for the Sale Shares is HK\$172,150,275.65, equivalent to HK\$1.345 per Sale Share.

Completion took place on 23 December 2020. Immediately following Completion, the Offeror and parties acting in concert with it became interested in a total of 161,650,770 Shares, representing approximately 43.66% of the existing issued share capital of the Company as at

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it.

The Offer

SPDB International, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer to acquire all the Offer Shares on the terms set out in the Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.345 in cash

The Offer is conditional upon the Offeror having received valid acceptances in respect of Offer Shares which, together with the Shares acquired or agreed to be acquired by the Offeror and the parties acting in concert with it, will result in the Offeror and the parties acting in concert with it holding more than 50% of the voting rights of the Company.

By accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document.

The Company has no intention to declare any dividends or other distributions prior to the close of the Offer.

In the event that the Company decides to declare any dividends or other distributions after the date of the Composite Document and prior to the close of the Offer, the Offeror intends to reduce the Offer Price by such equivalent amount. In such case, any reference in this letter shall be deemed to be a reference to the Offer Price as so reduced.

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

The Independent Shareholders should read carefully the procedures for acceptance of the Offer set out in Appendix I to the Composite Document.

Payment

Provided that the Offer has become, or has been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which (i) the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid; and (ii) when the Offer has become or is declared unconditional, whichever is later.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Value of the Offer

As at the Latest Practicable Date, there were 370,245,142 Shares in issue. The Company had no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK\$1.345 per Share, the entire issued share capital of the Company is valued at HK\$497,979,715.99. As the Offeror and parties acting in concert with it hold 161,650,770 Shares upon Completion, 208,594,372 Shares are subject to the Offer, and the aggregate cash consideration payable by the Offeror under the Offer is HK\$280,559,430.34.

Information on the Group

(i) Principal businesses

The Group principally operates in two business segments, namely (i) design and sales of integrated circuits (“ICs”); and (ii) aircraft business management.

According to the 2020 interim report of the Company, the design and sales of ICs remains as the core business of the Group. There are mainly two types of IC products: caliper and microcontroller unit. These products are used in industrial and household measuring tools and the electronic bicycle battery charger market. The Group’s research and development team in Shanghai provides the design of the products, which are then outsourced to external suppliers or sub-contractors for production. The Group sells the finished IC products to customers, who are usually end-product manufacturers or producers. The Group recorded a revenue amount of approximately HK\$30.5 million from this business segment, accounting for 41.1% of the Group’s total revenue for 2019.

In the first half of 2019, the Group formally launched its business aircraft service by entering into a business aircraft entrusted management contract in respect of three private business aircraft, which are registered with the U.S. Federal Aviation Administration and are owned by third parties. The Group provides a range of services including the provision of pilots, flight attendants and engineers, aircraft maintenance, inspection and repairs, etc. The Group recorded a revenue amount of approximately HK\$42.9 million from one single customer for this entire business segment, accounting for 57.8% of the Group’s total revenue for 2019.

(ii) Initial public offering and historical names

The Company is a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 1010.hk) since 18 February 1994. According to Bloomberg, 75 million Shares were offered at HK\$1.23 each in the initial public offering.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

At the time of listing of the Shares, the Company was known as Win Win International Holdings Limited (榮榮國際集團有限公司). The Group's then principal business was essentially related to the knitting machinery trading business which was disposed of in 1996 due to its bleak outlook at that time. In the same year, the Company changed its financial year end date from 31 March to 31 December, and its name to PCL Enterprises Holdings Limited (弘茂企業集團有限公司).

In July 2001, the Company changed its name to PacMOS Technologies Holdings Limited (弘茂科技控股有限公司) followed by PacRay International Holdings Limited (太睿國際控股有限公司) in December 2015.

(iii) Increases in share capital in 1997 and 2020

According to the 1997 annual report of the Company, 36,857,142 new Shares were issued at HK\$1.40 each to the convertible note (“CN”) holder pursuant to the exercise of the conversion rights attached to the CN in the principal amount of HK\$51.6 million. Accordingly, the total issued Shares increased from 299,730,000 Shares to 336,587,142 Shares.

On 1 September 2020, 33,658,000 new Shares were issued to Ever Digital Limited (a wholly-owned subsidiary of the Offeror) as the vendor at HK\$0.77 each to satisfy the consideration of HK\$25,916,660 for the Group to acquire a 20.2% equity interest in Red Power Developments Limited which, through its PRC subsidiaries, is principally engaged in providing charter flight service to high-end customers, and aircraft management service to aircraft owners. Accordingly, the total issued Shares increased from 336,587,142 Shares (unchanged since 1997) to 370,245,142 Shares on the same date.

(iv) Shareholders' background

Set out in “*Letter from the Board – Shareholding Structure of the Company*” included in the Composite Document is the shareholding structure of the Company.

In August 2017, the Vendor was interested in 219,632,770 Shares upon completion of a voluntary conditional cash offer (“**2017 General Offer**”) at HK\$1.80 each. Upon completion of a placing of 73,240,000 Shares held by the Vendor to independent places at HK\$1.80 each on 4 October 2017, the Vendor reduced the Shares it held to 146,392,770 Shares, representing approximately 43.5% of the then total issued Shares, for the purpose of restoring the Company's public float. Trading in the Shares on the Stock Exchange resumed on 6 October 2017. In the period between 15 September 2020 and 16 October 2020, the Vendor disposed of a total of 18,400,000 Shares, representing approximately 4.97% of the total issued Shares, at an average price of approximately HK\$0.822 each on the open market. Immediately prior to Completion, the Vendor was interested in 127,992,770 Shares, representing approximately 34.57% of the total issued Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Completion took place on 23 December 2020, whereby the Vendor no longer holds any Shares and the Offeror, together with its concert parties, has become interested in a total of 161,650,770 Shares, representing approximately 43.66% of the total issued Shares, since then.

According to the 1997 annual report of the Company, Vision2000 Venture Ltd. (“**Vision2000**”), a wholly-owned subsidiary of Mosel Vitelic Inc. (台灣茂矽電子股份有限公司) (stock code: 2342.tw), has been holding a total of 106,043,142 Shares, representing approximately 31.5% of the then total issued Shares, since 1997.

(v) Financial performance of the Group

Set out below is the financial performance of the Group extracted from the relevant interim and annual reports of the Company:

	Six months ended 30 June		Year ended 31 December		
	2020 <i>(Unaudited)</i> HK\$'000	2019 <i>(Unaudited)</i> HK\$'000	2019 <i>(Audited)</i> HK\$'000	2018 <i>(Audited)</i> HK\$'000	2017 <i>(Audited)</i> HK\$'000
Revenue					
– Design and sales of ICs	12,512	13,998	30,536	36,447	36,448
– Aircraft business management	22,453	5,862	42,947	–	–
– Finance lease	367	–	856	324	–
– Trading of construction materials	–	–	–	23,938	132
– Others	–	525	–	–	–
	35,332	20,385	74,339	60,709	36,580
Loss before tax	(582)	(9,977)	(22,353)	(40,167)	(2,637)
Income tax expense	(661)	325	(361)	(20)	(49)
Loss for the year/period	(1,243)	(9,652)	(22,714)	(40,187)	(2,686)
Attributable to:					
– Owners of the parent	(1,185)	(8,692)	(21,065)	(40,187)	(2,686)
– Non-controlling interests	(58)	(960)	(1,649)	–	–
	(1,243)	(9,652)	(22,714)	(40,187)	(2,686)
Dividend	–	–	–	–	–

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue

The Group principally operates in two major business segments, namely (a) design and sales of ICs; and (b) aircraft business management. For the first half of 2020, the Group recorded approximately 35.4% of its revenue from the design and sales of ICs, and 63.6% of its revenue from the aircraft business management, while such percentages were 41.1% and 57.8% for the year ended 31 December 2019 respectively. Both business segments together accounted for 99.0% and 98.9% of the Group's revenue for the first half of 2020 and the year ended 31 December 2019 respectively.

Revenue from the **design and sales of ICs** segment remained stable in 2018 compared to 2017. Due to the intensive competition in the PRC market, revenue from this segment decreased by approximately 16.2% in 2019 compared to 2018. The business environment in the first half of 2020 became more challenging in light of COVID-19. Revenue from this segment decreased by approximately 10.6% in the first half of 2020 on a period-to-period basis.

In the first half of 2019, the Group formally launched its **business aircraft service** by entering into a business aircraft entrusted management contract in respect of three private business aircraft, which are registered with the U.S. Federal Aviation Administration and are owned by third parties. The Group recorded a revenue amount of approximately HK\$42.9 million from one single customer for this entire business segment, accounting for 57.8% of the Group's total revenue for 2019. Further, the Group recorded an increase in revenue from this segment by approximately 283.0% in the first half of 2020 compared to the same period in 2019 primarily due to the full half year of business in 2020 as opposed to the fact that this new business only commenced in May 2019.

The Group commenced its **finance lease** business in the PRC by acquiring a group of companies from an independent vendor for HK\$30.0 million in cash in February 2018. Revenue from this business segment has not been substantial primarily due to the relatively low level of finance lease receivables held, which amounted to approximately HK\$5.8 million, HK\$5.7 million and HK\$4.2 million as at 31 December 2018 and 2019 and 30 June 2020 respectively. Facing the challenges posed by the relatively high default rate in the market, *the Group has decided to scale down this business segment since the first half of 2020.*

Since the end of 2017, the Group had been exploring the **trading of construction materials**. The Group recorded a revenue amount of approximately HK\$23.9 million from one single customer (i.e. Imperial Pacific International Holdings Limited (stock code: 1076.hk) ("**Imperial Pacific**")) in 2018. In 2019, whilst the Group did not receive concrete purchase orders from new customers, it placed more focus on exploring the recovery of receivables from Imperial Pacific. *In the first half of 2020, the Group decided to terminate this business segment.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loss for the year/period

2018 versus 2017

2018 was the first full financial year after completion of the 2017 General Offer. After completion of the 2017 General Offer, the Group had taken some initiatives in diversifying its business portfolio from one single segment – design and sales of ICs as follows: (a) since the end of 2017, the Group had been exploring the trading of construction materials; (b) by the end of 2017, the Group paid a HK\$30.0 million deposit in acquiring a group of companies to commence its finance lease business in the PRC in 2018; and (c) by the end of 2017, the Group had granted HK\$15.7 million unsecured loans to external parties which bore an interest of 10% per annum.

However, the Group recorded a loss of approximately HK\$40.2 million for 2018 which increased by HK\$37.5 million from a loss of HK\$2.7 million for 2017. Such increase in the Group's loss was primarily attributed to the following:

- (a) The Group's gross profit margin dropped from 35.2% to 18.5% primarily due to (1) a provision of HK\$1.1 million made against the inventories of ICs; and (2) a lower gross profit margin derived from the trading of construction materials compared to the design and sales of ICs;
- (b) Following completion of the acquisition of a group of companies to commence the Group's finance lease business in the PRC in February 2018, this business segment did not perform as expected. By the end of 2018, revenue contributed by this segment was only HK\$0.3 million while an impairment of HK\$2.6 million was made against the Group's finance lease receivables. Further, an impairment of HK\$1.6 million was made against certain financial assets in connection with this business segment. As a result of the underperformance of this business segment, a full impairment of goodwill of HK\$5.1 million on acquisition of this business segment was made by the end of 2018. The sum of these three impairments amounted to HK\$9.3 million;
- (c) In respect of the trading of construction materials, the Group made a provision of HK\$3.1 million against the inventories and a provision of HK\$2.5 million against the trade receivables;
- (d) In respect of the unsecured loans granted to external parties in 2017, a provision of HK\$3.5 million was made against the loans receivables;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) The Group increased the number of staff from 28 as at 30 June 2017 (i.e. prior to completion of the 2017 General Offer) to 33 as at 31 December 2017, and to 56 as at 31 December 2018. As a result, the staff costs increased by HK\$10.1 million from HK\$9.5 million for 2017 to HK\$19.6 million for 2018. The Directors' remuneration also increased by HK\$1.2 million from HK\$1.6 million for 2017 to HK\$2.8 million for 2018; and
- (f) In 2018, the Group recorded fair value losses of HK\$0.9 million and dividend income of HK\$0.01 million from its listed investments compared to gains of HK\$4.6 million and dividend income of HK\$2.0 million in 2017.

2019 versus 2018

In the first half of 2019, the Group formally launched its business aircraft service by providing a range of services including the provision of pilots, flight attendants and engineers, aircraft maintenance, inspection and repairs, etc. The Group has leased a new office in Central, Hong Kong since June 2019. As regards the finance lease business in the PRC, the Group adopted a prudent approach to dealing with the relatively high default rate in the market. In 2019, whilst the Group did not receive concrete purchase orders for construction materials, it placed more focus on exploring the recovery of receivables from Imperial Pacific.

For the year ended 31 December 2019, the Group's loss of approximately HK\$22.7 million decreased by HK\$17.5 million, or 43.5%, from HK\$40.2 million for 2018, primarily attributed to: (a) the operating profit of HK\$6.0 million brought in by the new aircraft business management segment; (b) the absence of inventories provisioning of HK\$4.2 million made against certain ICs and construction materials in 2018; (c) the absence of impairments of finance lease receivables of HK\$2.6 million and goodwill of HK\$5.1 million made in 2018; (d) the reversal of impairments of certain financial assets of HK\$1.6 million made in 2018 in connection with the finance lease segment, and trade receivables of HK\$2.5 million made in 2018 in connection with the trading of construction materials, all of which were offset by (1) the depreciation of right-of-use assets of HK\$5.5 million in relation to the new office lease entered into in Hong Kong in June 2019; and (2) an increase in the Directors' remuneration of HK\$1.0 million.

2020 versus 2019 (period-on-period)

Facing the challenging market environment, the Group has decided to scale down its finance lease business in the PRC and terminated the trading of construction materials since the first half of 2020. In January 2019, the Group attempted to further diversify its business into the research and development in real time 2D-3D conversion display products by acquiring a group of companies for HK\$2.3 million in cash. However, such business did not develop as planned and the Group disposed of it in June 2020. A minor revenue amount of HK\$0.5 million was recorded from this business in 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2020, the Group's loss of approximately HK\$1.2 million decreased by HK\$8.5 million, or 87.6%, from HK\$9.7 million for the six months ended 30 June 2019, primarily attributed to: (a) an increase in the gross profit by HK\$3.8 million; (b) management fee income of HK\$6.0 million recorded; and (c) a gain on disposal of subsidiaries of HK\$4.4 million (which were involved in the research and development in real time 2D-3D conversion display products), all of which were offset by (1) fair value losses of financial assets at fair value through profit or loss of HK\$1.0 million as opposed to fair value gains of HK\$2.3 million for the six months ended 30 June 2019; and (2) an increase in depreciation of right-of-use assets of HK\$3.4 million.

Lack of dividend track record

The Company did not distribute dividends over the three years ended 31 December 2019 and the six months ended 30 June 2020. Following completion of the 2017 General Offer, the Group recorded consecutive losses for 2017, 2018, 2019 and the first half of 2020. The Group had retained earnings of HK\$25.5 million as at 30 June 2017 which turned into accumulated losses of HK\$37.0 million as at 30 June 2020. We doubt if there will be any dividends to be distributed by the Company in the foreseeable future, which makes the investment in the Shares less attractive, in particular, for those who are after dividend income from their investment.

(vi) Financial position of the Group

	30 June		31 December	
	2020	2019	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant, and equipment	3,292	4,038	4,428	2,508
Intangible assets	–	2,087	–	–
Deferred tax assets	596	607	619	479
Equity investment designated at fair value through other comprehensive income	23,100	23,100	23,196	–
Available-for-sale investments	–	–	–	40,947
Finance lease receivables	–	–	5,775	–
Right-of-use assets	10,299	16,557	–	–
Long-term deposits	3,332	3,335	280	366
	40,619	49,724	34,298	44,300

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	30 June		31 December	
	2020	2019	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT ASSETS				
Inventories	4,614	12,432	7,142	4,807
Trade and bills receivables	52,470	54,299	24,733	12,507
Finance leases receivables	4,248	5,668	–	–
Deposits, prepayments and other receivables	14,609	13,836	9,848	43,214
Loans receivables	14,560	18,667	19,032	15,700
Finance assets at fair value through profit or loss	555	1,545	2,154	–
Tax recoverable	153	156	159	327
Cash and cash equivalents	9,584	8,516	25,601	43,296
	<u>100,793</u>	<u>115,119</u>	<u>88,669</u>	<u>119,851</u>
CURRENT LIABILITIES				
Account payables	29,956	27,938	361	150
Lease liability	10,866	12,466	–	–
Other payables and accruals	3,795	22,230	4,251	2,898
Tax payables	1,636	661	7	–
	<u>46,253</u>	<u>63,295</u>	<u>4,619</u>	<u>3,048</u>
NET CURRENT ASSETS	<u><u>54,540</u></u>	<u><u>51,824</u></u>	<u><u>84,050</u></u>	<u><u>116,803</u></u>
TOTAL ASSETS LESS				
CURRENT LIABILITIES	<u><u>95,159</u></u>	<u><u>101,548</u></u>	<u><u>118,348</u></u>	<u><u>161,103</u></u>
NON-CURRENT LIABILITY				
Lease liability	<u><u>553</u></u>	<u><u>5,637</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
NET ASSETS	94,606	95,911	118,348	161,103
Non-controlling interests	<u>–</u>	<u>581</u>	<u>–</u>	<u>–</u>
	<u><u>94,606</u></u>	<u><u>96,492</u></u>	<u><u>118,348</u></u>	<u><u>161,103</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	30 June 2020	2019	31 December 2018	2017
Net asset value attributable to Shareholders (“NAV”) (HK\$’000)	94,606	96,492	118,348	161,103
Number of Shares in issue	336,587,142	336,587,142	336,587,142	336,587,142
NAV per Share	0.2811	0.2867	0.3516	0.4786

The Company did not distribute dividends over the three years ended 31 December 2019 and the six months ended 30 June 2020. Hence, the decline in the Group’s net assets and the NAV per Share was primarily attributed to the losses made by the Group over the same period.

As at 31 December 2017, the Group’s net assets were principally made up of its net current assets which accounted for approximately 72.5% of the net assets of the Group. After completion of the 2017 General Offer, the Group (a) invested HK\$23.0 million cash in Cornerstone Securities Limited (“**CSL – an unlisted securities firm**”), representing approximately 8.81% of the entire issued capital thereof, which is an unlisted corporation licensed by the SFC to deal in and advise on securities; (b) paid a HK\$30.0 million deposit in acquiring a group of companies to commence its finance lease business in the PRC in 2018; and (c) granted HK\$15.7 million unsecured loans to external parties which bore an interest of 10% per annum, by utilising part of its own cash reserve which had a balance of approximately HK\$90.4 million as at 30 June 2017 and part of the proceeds of HK\$43.0 million it received from the disposal of its 299,665 ChipMOS Taiwan ADSs⁽¹⁾.

As at 31 December 2018, the Group’s net assets decreased primarily due to a loss of HK\$40.2 million made for the year. The Group’s net assets were principally made up of its net current assets which accounted for approximately 71.0% of the net assets of the Group as at 31 December 2018. In 2018, the Group further disposed of some of its available-for-sale investments which were 118,262 ChipMOS Taiwan ADSs and re-classified the rest of its available-for-sale investments, namely: (a) 10,284 ChipMOS Taiwan ADSs to “finance assets at fair value through profit or loss”; and (b) the equity investment in CSL – an unlisted securities firm to “equity investment designated at fair value through other comprehensive income”. In 2018, the Group acquired 15 million shares of Imperial Pacific for HK\$1,465,000 which were recorded as “finance assets at fair value through profit or loss”. Since the acquisition of a group of companies for the Group’s finance lease business in the PRC was completed in February 2018, the Group’s balance of deposits, prepayments and other receivables reduced by the HK\$30.0 million deposit paid in 2017 and the Group started to hold finance leases receivables thereafter.

(1) ChipMOS Technologies Inc. (“**ChipMOS Taiwan**”) American depositary shares (“**ChipMOS Taiwan ADSs**”) are listed on the NASDAQ Global Select Market (ticker symbol “IMOS”). ChipMOS Taiwan was incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange as “8150” and is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the U.S.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2019, the Group's net assets decreased primarily due to a loss of HK\$22.7 million made for the year. Approximately 54.0% of the Group's net assets as at 31 December 2019 were made up of its net current assets. As at 31 December 2019, the Group's non-current assets increased primarily due to the recognition of: (a) right-of-use assets as a result of the leasing of the new office in Central, Hong Kong in June 2019; and (b) intangible assets that came with the acquisition of a group of companies engaged in the research and development in real time 2D-3D conversion display products in January 2019. Due to the maturity of relevant finance leases, the Group's finance lease receivables were re-classified from non-current assets to current assets. As regards the Group's current assets and liabilities, both increased on 31 December 2018 principally as a result of: (1) the operations of the new aircraft business management segment; and (2) the group of companies acquired in January 2019 (which were involved in the research and development in real time 2D-3D conversion display products). In addition to the right-of-use assets recognised as a non-current asset, a lease liability split into a current portion and a non-current portion was recognised in connection with the leasing of the new office in Central, Hong Kong in June 2019. Furthermore, the Group disposed of all the remaining ChipMOS Taiwan ADSs in March 2019.

As at 30 June 2020, the Group's net assets decreased to a lesser extent due to a loss of HK\$1.2 million made for the period. Approximately 57.6% of the Group's net assets as at 30 June 2020 were made up of its net current assets. In June 2020, the Group disposed of the group of companies involved in the research and development in real time 2D-3D conversion display products. As such, the Group's intangible assets were disposed of as part of such group of companies. The Group's decreased right-of-use assets and leased liability were primarily resulted from the use of the office leased in Central, Hong Kong during the first half of 2020.

Future prospects of the Group

Reference is made to our discussion in "*Principal Factors and Reasons Considered – (v) Financial performance of the Group – Revenue*" in this letter. The Group principally operates in two major business segments, namely (i) design and sales of ICs; and (ii) aircraft business management. Against the backdrop of decreased revenue from the segment, the Group's design and sales of ICs business has been suffering from the intensive competition in the PRC market. The business environment appears to have become worse in light of the challenges posed by COVID-19. Since May 2019, the Group has diversified its business into the aircraft business management. This business is operated on a very narrow customer base (where all of its revenue has been derived from one single customer). Although the Group recorded an increase in revenue from this business for the first half of 2020, it was indeed due to the fact that this business only commenced in May 2019. The development of this rather niche business will depend on such factors as the sustainability of demand for travelling on private business aircraft and the availability of substitutes such as passenger aircraft operated by airlines (which have become limited as a result of COVID-19).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The last profitable year for the Group was 2014 where it recorded a profit of approximately HK\$17.3 million for that year. Following completion of the 2017 General Offer, the Group recorded consecutive losses for 2017, 2018, 2019 and the first half of 2020. The Group had retained earnings of HK\$25.5 million as at 30 June 2017 which turned into accumulated losses of HK\$37.0 million as at 30 June 2020. Since completion of the 2017 General Offer, the Group has made several attempts to diversify its business portfolio, such as (i) the finance lease business in the PRC, (ii) the trading of construction materials, (iii) the money lending business in Hong Kong for a licensed period between 11 December 2018 to 12 December 2019, (iv) the research and development in real time 2D-3D conversion display products, and (v) the aircraft business management. In our view, the fact that the Group still made losses given the attempts made casts doubt on its profitability in the future.

As at 30 June 2017, the Group had a cash balance of approximately HK\$90.4 million and 430,027 ChipMOS Taiwan ADSs of HK\$65.9 million. Between 2017 and 2019, the Group had liquidated all ChipMOS Taiwan ADSs which provided additional cash to finance some of the Group's operations, investments and business opportunities. As at 30 June 2020, the Group was left with a cash balance of HK\$9.6 million. Some of the Group's cash was tied up in investment assets such as a minor equity stake in CSL – an unlisted securities firm and some listed shares in Imperial Pacific, and other operational assets. In our view, the Group's relatively less liquid position compared to how it was around three years ago casts doubt on its ability to proceed with any major business development. For example, the Group attempted to further diversify its business into the research and development in real time 2D-3D conversion display products in January 2019, which was ended up being disposed of in June 2020 due to a lack of marketing and funding resources to support the business development.

Evaluation of the Offer Price

The Offer Price of HK\$1.345 per Share is the same as the purchase price per Sale Share under the SPA, which was arrived at after arm's length negotiations between the parties to the SPA.

(i) Discounted cash flows (“DCF”)

In evaluating the fairness and reasonableness of the Offer Price, we could use the DCF model to come up with a fair value of the Shares. However, the Group recorded consecutive operating cash outflows of HK\$18.5 million, HK\$32.1 million and HK\$8.0 million for 2017, 2018 and 2019 respectively. Therefore, it casts doubt on the reliability of any projected cash flows for the DCF model.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Dividends

The Company did not distribute dividends over the three years ended 31 December 2019 and the six months ended 30 June 2020. Following completion of the 2017 General Offer, the Group recorded consecutive losses for 2017, 2018, 2019 and the first half of 2020. We doubt if there will be any dividends to be distributed by the Company in the foreseeable future. Therefore, any valuation of the Shares based on future dividends is considered infeasible.

(iii) Comparable analysis

Following completion of the 2017 General Offer, the Group recorded consecutive losses for 2017, 2018, 2019 and the first half of 2020. Therefore, it casts doubt on the reliability of any projected profits for an evaluation of the Offer Price based on **price-to-earnings multiples**.

The Offer Price of HK\$1.345 per Share implies a price-to-book ratio of approximately 4.78 times of the unaudited net asset value of the Group of approximately HK\$0.2811 per Share as at 30 June 2020.

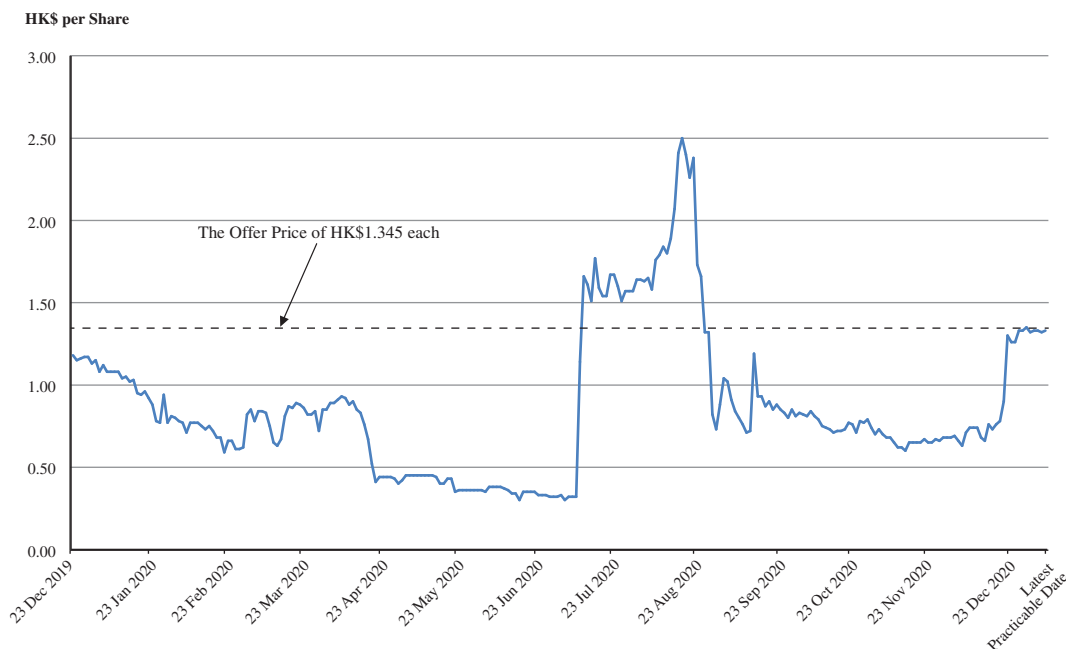
As referred to in “*Principal Factors and Reasons Considered – Information on the Group – (vi) Financial position of the Group*” in this letter, the Group had net assets of approximately HK\$94.6 million as at 30 June 2020, comprising investment assets such as a minor equity stake in CSL – an unlisted securities firm and some listed shares in Imperial Pacific, and other operational assets in respect of its two principal businesses, namely (a) design and sales of ICs; and (b) aircraft business management, and other businesses such as the finance lease business and the trading of construction materials. Based on the diversity of business portfolio of the Group, we are unable to identify any companies listed on the Stock Exchange that have a similar business profile for the purpose of an evaluation of the Offer Price based on **price-to-book multiples**.

In the first half of 2019, the Group formally launched its business aircraft service by entering into a business aircraft entrusted management contract in respect of three private business aircraft, which are registered with the U.S. Federal Aviation Administration and are owned by third parties. The Group recorded a revenue amount of approximately HK\$42.9 million from one single customer for this entire business segment, accounting for 57.8% of the Group’s total revenue for 2019. In view of the revenue from the aircraft business management being recorded for less than 12 months in 2019, and the relatively short history of this business segment, we consider that it is inappropriate to evaluate the Offer Price based on **price-to-sales multiples** either.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Share price performance

Set out below is the performance of the closing prices of the Shares for the 12-month period prior to the date of the Joint Announcement and the period thereafter until and including the Latest Practicable Date (the “**Review Period**”):



Source: Bloomberg

The Share price closed at HK\$0.32 each on 10 July 2020 with only a total of 2,000 Shares traded on that day. On the next trading day, 13 July 2020, the closing Share price surged by 256.3% to reach HK\$1.14 each with a total of over 20 million Shares traded on that day. The Directors have confirmed that they were not aware of reasons for such surge. According to the website of the Stock Exchange, there was no major meaningful news that can explain for such surge during that time until 21 August 2020 when the Company published a profit warning announcement after trading hours that the Group continued to make a loss which was, however, expected to be less than the first half of 2019. The closing Share price peaked at HK\$2.50 each during the Review Period on 19 August 2020, i.e. two days prior to the profit warning announcement. Then, the closing Share price slid by 69.3% in six trading days from HK\$2.38 each on 24 August 2020 (the first trading day after the profit warning announcement) to HK\$0.73 each on 1 September 2020.

Trading in the Shares was halted half-way in the morning of 22 December 2020 pending release of the Joint Announcement on that night, which resumed on the following day, 23 December 2020. The closing Share price surged by approximately 44.4% from HK\$0.90 each with 1.4 million Shares traded on 22 December 2020 to HK\$1.30 each with a total of over 143.6 million Shares traded on 23 December 2020 in reaction to the Joint Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the Offer Price of HK\$1.345 per Share, which represents a premium over each of the closing Share prices as at the date of the Joint Announcement and the Last Trading Day, and the average closing Share prices for the periods specified as follows:

Closing Share price as at the date of the Joint Announcement	Last Trading Day	Average closing Share price for the last consecutive trading days up to and including the date of the Joint Announcement						Average closing Share price over the last 12-month period from 23 December 2019 (inclusive)
5	10	30	60	90	180			
<u>HK\$0.9000</u>	<u>HK\$0.7800</u>	<u>HK\$0.7860</u>	<u>HK\$0.7490</u>	<u>HK\$0.6880</u>	<u>HK\$0.7265</u>	<u>HK\$0.9234</u>	<u>HK\$0.8411</u>	<u>HK\$0.8469</u>
Premium represented by								
the Offer Price ^(Note)								
<u>49.4%</u>	<u>72.4%</u>	<u>71.1%</u>	<u>79.6%</u>	<u>95.5%</u>	<u>85.1%</u>	<u>45.7%</u>	<u>59.9%</u>	<u>58.8%</u>

Note: Premium = ((Offer Price ÷ closing Share price or average closing Share price) – 1) x 100%

During the 11 trading days from the first trading day after release of the Joint Announcement (i.e. 23 December 2020) up to and including the Latest Practicable Date, the closing Share prices had been in the vicinity of HK\$1.26 each to HK\$1.35 each, i.e. not exceeding the Offer Price of HK\$1.345 per Share during such period except the Share price of HK\$1.35 each closed on 31 December 2020.

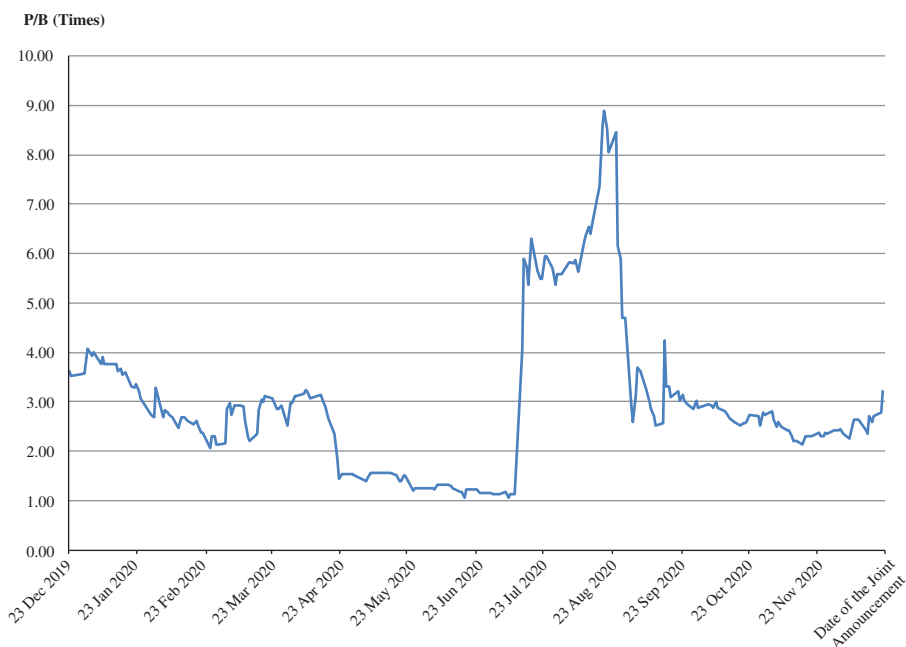
Given that the Offer Price of HK\$1.345 per Share represents a premium in a range of approximately 45.7% to 95.5% over each of the closing Share prices as at the date of the Joint Announcement and the Last Trading Day, and the average closing Share prices for the periods specified herein, we consider that the Offer Price is fair and reasonable.

(v) Premium of the Offer Price over the Group's net asset value per Share

The Offer Price of HK\$1.345 per Share implies a price-to-book ("P/B") multiple of approximately 4.78 times based on the NAV per Share of HK\$0.2811 as at 30 June 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the historical P/B multiples implied by the closing Share prices:



Source: Bloomberg

The P/B multiples were correlated with the closing Share price performance since the NAV per Share as at 31 December 2019 of HK\$0.2867 was relatively close to the NAV per Share as at 30 June 2020 of HK\$0.2811.

Set out below are the P/B multiples represented by closing Share price as at the date of the Joint Announcement and the average closing Share prices for the periods specified as follows (the “**Historical P/B Multiples**”):

Closing Share price as at the date of the Joint Announcement	Average closing Share price for the last						Average closing Share price over the last 12-month period from 23 December 2019 (inclusive)
	5 consecutive trading days up to and including the date of the Joint Announcement	10	30	60	90	180	
HK\$0.9000	HK\$0.7860	HK\$0.7490	HK\$0.6880	HK\$0.7265	HK\$0.9234	HK\$0.8411	HK\$0.8469
Historical P/B Multiples ^(Note) (times)	3.2017	2.7964	2.6648	2.4478	2.5847	3.2854	2.9813
	2.9808						

Note: Sourced from Bloomberg, where the calculation is the relevant closing Share price(s) ÷ the relevant NAV per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that the Offer Price of HK\$1.345 per Share implies a P/B multiple of approximately 4.78 times based on the NAV per Share of HK\$0.2811 as at 30 June 2020, which exceeds all the Historical P/B Multiples in a range of 2.4478 times to 3.2854 times, we consider that the Offer Price is fair and reasonable from this perspective.

(vi) Liquidity analysis

	Daily average of Shares traded	% to the total issued Shares	% to the issued Shares in public hands
2020			
January	153,400	0.05%	0.18%
February	98,000	0.03%	0.12%
March	253,545	0.08%	0.30%
April	282,316	0.08%	0.34%
May	139,400	0.04%	0.17%
June	125,714	0.04%	0.15%
July	2,819,273	0.84%	3.35%
August	2,263,714	0.67%	2.69%
September	2,592,364	0.70%	2.00%
October	755,111	0.20%	0.55%
November	356,190	0.10%	0.26%
1 December – date of the Joint Announcement	492,375	0.13%	0.36%
23 December	143,618,770	38.79%	140.05%
24 December – 31 December	3,292,800	0.89%	3.21%
2021			
4 January – Latest Practicable Date	779,600	0.21%	0.76%

Source: Bloomberg

Since 2 January 2020 and up to and including the Latest Practicable Date, the daily average of Shares traded was 1,505,624 Shares, representing approximately 0.41% of the total issued Shares and 1.47% of the issued Shares in public hands, which trading was considered thin. Notwithstanding increased daily averages of Shares traded in July to September 2020 and those trading days in December 2020 after the Joint Announcement compared to the other months in the review period, such low liquidity of Shares traded could make it difficult for the Independent Shareholders to divest scalable on-market disposals without adversely affecting the price of the Shares. As such, the Offer provides them with an immediate opportunity to realise their investment in the Offer Shares for cash and redeploy the cash received from accepting the Offer into other investment opportunities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on the Offeror

The Offeror is an investment holding company incorporated in Hong Kong with limited liability on 3 August 2017. As at the Latest Practicable Date, its ordinary share capital was wholly owned by Mr. Duan Hongtao and Mr. Duan Chunchao as to 99% and 1% respectively. Mr. Duan Hongtao is engaged in various businesses including trading, yacht-related business, and investment, and is also a director of Bank of Huludao Co., Ltd (葫蘆島銀行股份有限公司). Mr. Duan Chunchao is engaged in the business of manufacturing and sales of yachts. There is no family relationship between Mr. Duan Hongtao and Mr. Duan Chunchao. Neither Mr. Duan Hongtao nor Mr. Duan Chunchao holds any directorship in any listed companies.

Intention of the Offeror in relation to the Group

After the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group and maintain the employment of the operational and administrative employees of the Group.

As at the Latest Practicable Date, the Offeror had no intention to dispose or downsize the business or the assets of the Group, and had no plan for any acquisition of assets and/or business of the Group. However, the Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Group for the purpose of formulating feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream. Subject to the results of the review, and should appropriate opportunities arise, the Offeror may consider rebalancing the resources of the Group. In view of the aforesaid, the Offeror is of the view that the Offer is in its long-term commercial interest.

The Board is currently made up of five (5) executive Directors, one (1) non-executive Director and three (3) independent non-executive Directors. As at the Latest Practicable Date, the Offeror did not intend to nominate any new Directors to the Board immediately after the Offer. Any changes to the Board composition (if any) will be announced by the Company as and when appropriate in compliance with the Listing Rules.

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

Maintaining the Listing Status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

OPINION

Having taken into account the principal factors and reasons set out above, in particular:

- (i) the consecutive losses made by the Group every year after the last profitable year of 2014, despite its attempts to diversify its business portfolio following completion of the 2017 General Offer, such as (a) the finance lease business in the PRC, (b) the trading of construction materials, (c) the money lending business in Hong Kong for a licensed period between 11 December 2018 to 12 December 2019, (d) the research and development in real time 2D-3D conversion display products, and (e) the aircraft business management;
- (ii) the consecutive operating cash outflows for 2017, 2018 and 2019;
- (iii) the Offer Price representing a premium in a range of approximately 45.7% to 95.5% over each of the closing Share prices as at the date of the Joint Announcement and the Last Trading Day, and the average closing Share prices for the 5, 10, 30, 60, 90 and 180 trading days and the 12 months prior to and including the date of the Joint Announcement;
- (iv) the P/B multiple of approximately 4.78 times implied by the Offer Price exceeding all the Historical P/B Multiples in a range of 2.45 times to 3.29 times at which the relevant Share prices had been trading; and
- (v) the Group's relatively less liquid position compared to how it was around three years ago (i.e. completion of the 2017 General Offer),

we consider that the Offer is fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

For those Independent Shareholders who are considering to realise all or part of their investment in the Company, they should monitor the Share price performance until the end of the Offer Period. If the market price of the Shares exceeds the Offer Price and the sale proceeds net of transaction costs exceed the net proceeds receivable under the Offer, the Independent Shareholders should consider to sell their Shares on the open market instead of accepting the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer. Accordingly, for those Independent Shareholders who, after considering the information contained in the Composite Document, are attracted by the future prospects of the Group following the Offer notwithstanding, among others:

- (a) the uncertainty as to when and to what extent any change to the business of the Group will be made after the Offeror has conducted a detailed review of its operations;
- (b) its relatively less liquid position compared to how it was around three years ago (i.e. completion of the 2017 General Offer); and
- (c) the uncertainty associated with the possible change of the future composition of the Board, and the extent of such change, if any,

they may consider retaining all or part of their Shares.

As the Offer may or may not become unconditional, Shareholders and investors of the Company should exercise extreme caution when dealing in the securities of the Company and, if in doubt as to their position, consult their professional advisers.

The Independent Shareholders should read carefully the procedures for acceptance of the Offer set out in Appendix I to the Composite Document.

Yours faithfully,
for and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited
Felix Chan
Managing Director
Deputy Head of Corporate Finance

Mr. Felix Chan has been licensed by the Securities and Futures Commission to advise on corporate finance in Hong Kong since 2002.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (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.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) 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 other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "**PacRay International Holdings Limited-Cash Offer**" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver 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; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and 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; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business

Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).

- (d) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the accompanying Form of Acceptance should nevertheless be completed, signed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and/or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, 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 yourself. Such action will be deemed to be an irrevocable instruction and authority to SPDB International and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Independent Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement of receipt of any Form(s) 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) If the Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders who have accepted the Offer by ordinary post at the Independent Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has become or been declared unconditional, or has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of

Acceptance, and the Offer will be closed on the Closing Date. The Offer is conditional upon the Offeror having received acceptances in respect of the Shares which, together with the Shares already owned by the Offeror and parties acting in concert with it and acquired or agreed to be acquired before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding in aggregate more than 50% of the voting rights of the Company.

- (b) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the revised Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.

3. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional.

Such announcement must state the following:

- (i) the total number of Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares controlled or directed by the Offeror and parties acting in concert with it before the Offer Period;

- (iii) the total number of Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
 - (v) the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order 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.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<https://pacray.etnet.com.hk/>) and made in accordance with the Listing Rules.

4. NOMINEE REGISTRATION

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

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor shall be entitled to withdraw his acceptance of the Offer after twenty one (21) days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor may withdraw his acceptance of the Offer by lodging a notice in writing signed by the acceptor (or his agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.

- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptances of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met. In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s).

6. SETTLEMENT OF THE OFFER

- (a) Provided that the accompanying Form of Acceptance for the Shares, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days following the date on which the Offer becomes, or is declared, unconditional and the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code, whichever is the later.
- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save in respect of the payment of seller’s ad valorem stamp duty, as the case may be) set out in this Composite Document (including this Appendix I) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (c) No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheque will not be honoured and will be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

7. OVERSEAS SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The availability of the Offer to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant overseas jurisdiction. The making of the Offer to the Independent Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside of Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions and, where necessary, seek legal advice. 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 or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

Acceptance of the Offer by any Overseas Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof; (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, and (iii) has complied with any other necessary formality or legal requirement and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws.

8. HONG KONG STAMP DUTY AND TAX IMPLICATIONS

- (a) 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 seller's ad valorem stamp duty on behalf of accepting Independent Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (b) Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with it, the Company, SPDB International, Shenwan Hongyuan and the Registrar, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

- (c) Any Independent Shareholder accepting the Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (d) This Composite Document does not include any information in respect of overseas taxation. Independent Shareholders who may be subject to overseas tax are recommended to consult their own tax advisers regarding the implications in the relevant jurisdictions of owning and disposing Shares.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be sent to the Independent Shareholders will be sent to them, or their designated agents, by ordinary post to the Independent Shareholders' addresses as they appear in the register of members of the Company, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members, at their own risk. None of the Offeror and parties acting in concert with it, the Company, SPDB International, Shenwan Hongyuan and the Registrar, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and SPDB International that the Shares tendered under the Offer (together with all rights attaching to them as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid by the Company on or after the date on which the Offer is made, i.e., the date of this Composite Document), are sold by such person or persons free from all Encumbrances whatsoever and any other third party rights of any nature.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

- (f) The Offer 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 and on behalf of an Independent Shareholder will constitute such Independent 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 authority to the Offeror and/or SPDB International and/or such person or persons as any of them 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 purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code. The Composite Document and the accompanying Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

10. INTERPRETATION

- (a) The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.
- (b) A reference in this Composite Document to an Independent Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (c) A reference in this Composite Document and the accompanying Form of Acceptance to the Offer includes any extension and/or revision thereof.
- (d) A reference in this Composite Document and the accompanying Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.
- (e) The English transliteration of the Chinese name(s) in this Composite Document, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).
- (f) A reference to any Appendix, paragraphs and any sub-paragraphs of them is a reference to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them, respectively.

- (g) A reference to time of the day is to Hong Kong time.

- (h) A reference to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 AND FOR THE SIX MONTHS ENDED 30 JUNE 2020

Set out below is a summary of the audited consolidated financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 and the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020, as extracted from the annual reports of the Group for the three years ended 31 December 2019, and the interim report of the Group for the six months ended 30 June 2020.

Results

	As at 31 December			Six months ended 30 June 2020
	2017	2018	2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>36,580</u>	<u>60,709</u>	<u>74,339</u>	<u>35,332</u>
Loss before tax	(2,637)	(40,167)	(22,353)	(582)
Income tax (expense)/credit	<u>(49)</u>	<u>(20)</u>	<u>(361)</u>	<u>(661)</u>
Loss for the year/period	<u>(2,686)</u>	<u>(40,187)</u>	<u>(22,714)</u>	<u>(1,243)</u>
Profit/(Loss) attributable to				
– Owners of the parent	(2,686)	(40,187)	(21,065)	(1,185)
– Non-controlling interests	–	–	(1,649)	(58)
Comprehensive income for the period attributable to				
– Owners of the Company	7,874	(42,755)	(22,014)	(1,729)
– Non-controlling interests	–	–	(1,649)	(58)

Assets and liabilities

	As at 31 December			Six months ended
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2020 HK\$'000
Non-current assets	44,300	34,298	49,724	40,619
Net current assets	116,803	84,050	51,824	54,540
Total assets less current liabilities	161,103	118,348	101,548	95,159
Non-current liabilities	–	–	(5,637)	–
Net assets	161,103	118,348	95,911	94,606
(Loss)/earning per share				
– Basic & diluted	(0.8) cents	(11.94) cents	(6.26) cents	(0.35) cents
Dividend	Nil	Nil	Nil	–
Dividend per share	Nil	Nil	Nil	–

The auditors of the Group did not issue any modified opinion nor any emphasis of matter or material uncertainty related to going concern contained in the auditors' report of the Group for any of the three financial years ended 31 December 2017, 2018 and 2019.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

The Company is required to set out or refer to in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2019, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2019 Financial Statements**”).

The 2019 Financial Statements are set out from pages 72 to 160 in the 2019 Annual Report which was published on 15 May 2020. The 2019 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<https://pacray.etnet.com.hk/>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500121.pdf>.

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

3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss and the consolidated statement of financial position as shown in the unaudited financial results of the Group for the six months ended 30 June 2020, and significant accounting policies together with any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (“**2020 Interim Financial Statements**”).

The 2020 Interim Financial Statements are set out from page 15 to 38 in the 2020 Interim Report which was published on 3 September 2020. The 2020 Interim Report is available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://pacray.etnet.com.hk/>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0903/2020090301017.pdf>

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

4. MATERIAL CHANGE

- (i) As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Group’s results improved by recording a loss of approximately HK\$1.2 million for the period compared to a loss of HK\$9.7 million for the six months ended 2019.
- (ii) As disclosed in the interim report of the Company for the six months ended 30 June 2020, since the first half of 2020, the Group has decided to scale down its finance lease business in the PRC, by not accepting new clients and focusing on recovering the existing receivables, and terminated the trading of construction materials.
- (iii) In January 2019, the Group attempted to further diversify its business into the research and development in real time 2D-3D conversion display products by acquiring a group of companies for HK\$2.3 million in cash. However, such business did not develop as planned and the Group disposed of it in June 2020.
- (iv) On 1 September 2020, 33,658,000 new Shares, representing approximately 9.09% of the enlarged issued share capital of the Company, were issued to Ever Digital Limited as the vendor at HK\$0.77 each to satisfy the consideration of HK\$25,916,660 for the Group to acquire a 20.2% equity interest in Red Power Developments Limited which, through its PRC subsidiaries, is principally engaged in providing charter flight service to high-end customers, and aircraft management service to aircraft owners. Accordingly, the total issued Shares increased from 336,587,142 Shares to 370,245,142 Shares on the same date. More details of the

acquisition, including the business of Ever Digital Limited, can be found in the announcements of the Company dated 14 February 2020, 31 March 2020, 29 April 2020, 1 June 2020, 8 June 2020, 15 July 2020, 14 August 2020 and 1 September 2020, and the supplemental circular of the Company dated 12 June 2020.

- (v) On 1 December 2020, the Group completed an acquisition of a housing development, namely Miller's Estates in the Island of Saipan (which had a market value of US\$4.5 million in existing state as at 30 November 2020) in settlement of the receivables and loans, in the book amount of HK\$30,328,237.65 immediately before the completion of the acquisition, previously owed by Imperial Pacific International Holdings Limited (stock code: 1076.hk) to the Group. More details of the acquisition, including details of the Miller's Estate, can be found in the announcements of the Company dated 27 March 2020, 28 July 2020, 29 September 2020 and 1 December 2020.

- (vi) The headcounts of the Group decreased from 74 as at 31 December 2019 to 54 as at 30 June 2020 and then increased to 61 as at 31 December 2020.

Save as disclosed herein, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the last published audited consolidated financial statements of the Group were made up, to and including the Latest Practicable Date.

5. INDEBTEDNESS

As at 30 November 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group has no bank borrowings.

As at the close of business on 30 November 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, apart from the intra-group liabilities, the Group did not have any loan capital issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or contingent liabilities.

The Directors have confirmed that there had not been any material change in the indebtedness or contingent liabilities of the Group since 30 November 2020 and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and its intentions have been supplied by the Offeror.

The sole director of the Offeror and Mr. Duan Hongtao, who owns 99% of the issued shares in the Offeror, jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group, the Vendor and parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendor and parties acting in concert with any of them) 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. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the immediate business day before the date of commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
30 June 2020	0.32
31 July 2020	1.57
31 August 2020	0.82
30 September 2020	0.81
30 October 2020	0.77
30 November 2020	0.68
21 December 2020 (being the Last Trading Day)	0.78
22 December 2020	0.9
31 December 2020	1.35
8 January 2021 (<i>being the Latest Practicable Date</i>)	1.33

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.5 per Share on 19 August 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.295 per Share on 7 July 2020.

3. INTERESTS IN THE COMPANY AND DEALINGS IN SECURITIES

As at the Latest Practicable Date, Ever Digital Limited, a wholly owned subsidiary of the Offeror, owns 33,658,000 Shares, representing approximately 9.09% of the existing issued share capital of the Company pursuant to a discloseable transaction involving the issue of consideration shares at an issue price of HK\$0.77 per consideration share under the general mandate in relation to the acquisition of 20.2% equity interest in Red Power Developments Limited by the Company from Ever Digital Limited. For further details, please refer to the announcements of the Company dated 1 September 2020, 14 August 2020, 15 July 2020, 8 June 2020, 1 June 2020, 29 April 2020, 31 March 2020 and 14 February 2020.

Immediately following Completion, the Offeror and parties acting in concert with it became interested in a total of 161,650,770 Shares, representing approximately 43.66% of the existing issued share capital of the Company as at the Latest Practicable Date.

Save for the SPA and the above, the Offeror, its ultimate beneficial owner and parties acting in concert with it have not dealt in nor do they have any shareholding interest in or control any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to the Latest Practicable Date.

The Offeror confirms that, save for the SPA and the above, as at the Latest Practicable Date,

- (a) none of the Offeror, any of its ultimate beneficial owners and/or parties acting in concert with it owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (b) the Offeror, any of its ultimate beneficial owners, and/or parties acting in concert with it have not received any irrevocable commitment to accept the Offer;
- (c) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, any of its ultimate beneficial owners and/or any person acting in concert with it;
- (d) there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (e) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (f) save for the SPA, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or parties acting in concert with it and any Director, recent Director, Shareholders or recent Shareholders which had any connection with or dependence on the Offer;

- (g) there is no agreement or arrangement to which the Offeror, any of its ultimate beneficial owners and/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 a pre-condition or a condition to the Offer;
- (h) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, any of its ultimate beneficial owners and/or parties acting in concert with it has borrowed or lent;
- (i) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or the parties acting in concert with it to the Vendor or any parties acting in concert with it in connection with the sale and purchase of the Sale Shares, save for the Sale Shares Purchase Price to be paid by the Offeror to the Vendor;
- (j) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and the parties acting in concert with it on one hand, and the Vendor and parties acting in concert with it on the other hand; and
- (k) there is no understanding, arrangement, agreement or special deal between (a) any Shareholder; and (b)(1) the Offeror and the parties acting in concert with it, or (2) the Company, its subsidiaries or associated companies.

4. CONSENTS AND QUALIFICATIONS OF PROFESSIONAL ADVISERS

The following parties are the professional advisers whose letter, opinions or advices are contained or referred to in this Composite Document:

Name	Qualifications
SPDB International	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO, the offer agent to the Offeror

SPDB International has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, opinions or advice and references to its names in the form and context in which it appear.

As at the Latest Practicable Date, SPDB International did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. GENERAL

- (a) The registered office of the Offeror is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The address of Mr. Duan Chunchao, the sole director of the Offeror, is No. 1201, Unit 1, Building 7, Hemei Huating, Changxing Island Economic Zone, Dalian City, Liaoning Province, PRC.
- (c) The registered office of SPDB International is situated at 33/F, One Hennessy, 1 Hennessy Road, Hong Kong.
- (d) In the event of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

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, the Offeror and the Group.

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.1 each as at 31 December 2019 and the Latest Practicable Date were as follows:

(i) As at 31 December 2019

<i>Authorised</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued</i>	
<u>336,587,142</u> Shares	<u>33,658,714.2</u>

(ii) As at Latest Practicable Date

<i>Authorised</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued</i>	
<u>370,245,142</u> Shares	<u>37,024,514.2</u>

As at the Latest Practicable Date, save for 370,245,142 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. Save and except for the discloseable transaction in relation to the acquisition of 20.2% equity interest in Red Power Developments Limited by the Company from Ever Digital Limited involving the issue of 33,658,000 consideration shares, representing approximately 9.1% of the then issued share capital of the Company as enlarged by the allotment and issue of the consideration shares, at an issue price of HK\$0.77 per consideration share under the general mandate, the Company has not issued any Shares since 31 December 2019, the date to which the latest audited financial statements of the Group were made up. For further details of the abovementioned discloseable transaction, please refer to the announcements of the Company dated 1 September 2020, 14 August 2020, 15 July 2020, 8 June 2020, 1 June 2020, 29 April 2020, 31 March 2020 and 14 February 2020.

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

3. DISCLOSURE OF INTERESTS BY DIRECTORS OF THE COMPANY

As at the Latest Practicable Date, none of the Director and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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 or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of Shares held/ interested (Note 1)	Approximate % of the total issued Shares
Offeror (Note 1)	Beneficial owner and Interest of controlled corporation	161,650,770	43.66%
Mr. Duan Hongtao	Interest of controlled corporation	161,650,770	43.66%
Vision2000 Venture Ltd. (Note 2)	Beneficial owner	106,043,142	28.64%
Mosel Vitelic Inc.	Interest of controlled corporation	106,043,142	28.64%

Notes:

- (1) Ever Digital Limited holds 33,658,000 Shares, whereas the Offeror holds 127,992,770 Shares. As Ever Digital Limited is wholly-owned by the Offeror, the Offeror is deemed to be interested in the Shares held by Ever Digital Limited. Given that the Offeror is owned as to 99% by Duan Hongtao, Duan Hongtao is deemed to be interested in the Shares held by the Offeror and Ever Digital Limited.
- (2) According to the form of disclosure of interests submitted by Mosel Vitelic Inc. on 27 June 1997, Vision2000 Venture Ltd. is the controlled corporation of Mosel Vitelic Inc., which is listed on the Taiwan Stock Exchange (stock code: 2342). Accordingly, Mosel Vitelic Inc. is deemed to be interested in the 106,043,142 shares of the Company held by Vision2000 Venture Ltd. Given that Vision2000 Venture Ltd. and the Vendor each owns more than 20% of the existing issued share capital of the Company, Vision2000 Venture Ltd. is therefore presumed to be acting in concert with the Vendor in accordance with class 1 of the definition of “acting in concert” in the Takeovers Code. An application had been made by the Offeror to the Executive for the rebuttal of the presumed concert party relationship between the Offeror and Vision2000 Venture Ltd. which would arise upon Completion, and the Executive has granted such rebuttal.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

5. DEALINGS IN SECURITIES OF THE COMPANY AND THE OFFEROR

During the Relevant Period,

- (a) the Directors did not have any dealings in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares;
- (b) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Shares;
- (c) no fund managers connected with the Company had any dealings in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (d) none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

6. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) neither the Company nor any member of the Group was interested in or owned or controlled any shares, convertible securities, warrants options or derivatives of the Offeror;
- (b) none of the Directors was interested in or owned or controlled any shares, convertible securities, warrants options or derivatives of the Company or the Offeror;

- (c) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of the Company or a subsidiary of the Company or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code;
- (d) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or any convertible securities, warrants, options or derivatives issued by the Company and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (e) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company;
- (f) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (g) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (h) no material contracts had been entered into by any of the Offeror in which any Director had a material personal interest;
- (i) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares in the Company; and
- (j) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within two years immediately preceding the date on which the Offer Period commenced and up to the Latest Practicable Date, which are or may be material:

- (a) a lease agreement dated 21 June 2019 entered into between the Company as the tenant and Agricultural Bank of China Limited as the landlord in respect of the lease of the whole of the 28th floor of Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong for a term of 2 years commencing from 3 June 2019 to 2 June 2021 (both days inclusive) for use as office premises of the Group, at an aggregate consideration of HK\$21,423,480;
- (b) a sale and purchase agreement dated 14 February 2020 entered into between Ever Digital Limited as vendor and the Company as purchaser in respect of the sale and purchase of 20.2% equity interest in Red Power Developments Limited involving the issue of consideration shares at an issue price of HK\$0.77 per consideration share under the general mandate; and
- (c) a sale and purchase agreement on 27 March 2020 entered into between the Company as purchaser and Imperial Pacific International Holdings Limited as vendor in respect of the sale and purchase of the entire issued share capital of Ideal Best Limited, and all obligations, liabilities and debts owing or incurred by Ideal Best Limited to Imperial Pacific International Holdings Limited on or at any time prior to the completion, at the consideration of HK\$30,328,237.65.

8. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 28th Floor of Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, 4th Floor, North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda, the branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The address of Shenwan Hongyuan is Level 17, 28 Hennessy Road, Hong Kong.
- (e) The secretary of the Company is Mr. Zhou Danqing. Mr. Zhou is a chartered financial analyst and financial risk manager charter-holder, and a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and Administrators.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

9. DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

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 which (i) (including both continuous and fixed-term contracts) had been entered into or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation). Save as disclosed above, no other emolument is payable to the relevant Directors under the Directors' service contracts and letters of appointment.

10. EXPERT AND CONSENT

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

Name	Qualification
Shenwan Hongyuan	a licenced corporations to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Shenwan Hongyuan 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 or opinion and/or references to its name in the form and context in which they are respectively included.

11. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any members of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal office of the Company at 28th Floor of Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays); (ii) on the website of the Company (<https://pacray.etnet.com.hk/>); and (iii) on the website of the SFC (www.sfc.hk), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three years ended 31 December 2017, 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the letter from SPDB International, the text of which is set out on pages 6 to 12 of this Composite Document;
- (e) the letter from the Board, the text of which is set out on pages 13 to 18 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 42 of this Composite Document;
- (h) the written consents referred to under the paragraph headed “10. Expert and Consent” in this appendix and “4. Consents and Qualification of Professional Advisers” in Appendix III to this Composite Document;
- (i) the material contracts referred to in the paragraph headed “7. Material Contracts” in this appendix;
- (j) the SPA;
- (k) this Composite Document; and
- (l) the articles of association of the Offeror.