
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Qinqin Foodstuffs Group (Cayman) Company Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s), 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 Share Offer.

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

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

Qinqin Foodstuffs Group (Cayman) Company Limited
親親食品集團(開曼)股份有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1583)

COMPOSITE OFFER AND RESPONSE DOCUMENT

**VOLUNTARY CONDITIONAL CASH OFFER BY
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED
FOR AND ON BEHALF OF
SURE WONDER LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SURE WONDER LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Offeror

Deloitte. **德勤**
Deloitte & Touche Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee

 **Opus** Capital Limited
創富融資有限公司
Opus Capital Limited

Holders of the Offer Shares should inform themselves of and observe any applicable legal or regulatory requirements. See “Important Notice” beginning on page iv of this Composite Document and “General matters relating to the Share Offer — Overseas Shareholders” of the letter from Deloitte Corporate Finance beginning on page 12 of this Composite Document.

Capitalised terms used in this cover page have the same meaning as those defined in the section headed “Definitions” in this Composite Document. A “Letter from Deloitte Corporate Finance” containing, among other things, the details of the terms and conditions of the Share Offer are set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 23 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Offer Shareholders in respect of the Share Offer is set out on pages 24 to 25 of this Composite Document. A letter from Opus Capital containing its advice to the Independent Board Committee in respect of the Share Offer is set out on pages 26 to 51 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Share Offer contained herein should be received by the Registrar, by no later than 4:00 p.m. on Friday, 11 June 2021 or such later time or date as the Offeror may determine and announce, with the consent of the Executive and in accordance with the Takeovers Code.

Any 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 of Hong Kong should read the details in this regard which are contained in the section headed “General matters relating to the Share Offer — Overseas Shareholders” of the “Letter from Deloitte Corporate Finance” in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Share Offer.

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Offeror and the Company as and when appropriate.

Despatch date of this Composite Document Friday, 21 May 2021

Opening date of the Share Offer..... Friday, 21 May 2021

First Closing Date (*Note 1*) Friday, 11 June 2021

Latest time for acceptance of the Share Offer
on the First Closing Date (*Note 2*) 4:00 p.m. on Friday, 11 June 2021

Announcement of the results of the Share Offer
as at the First Closing Date,
on the website of the Stock Exchange 7:00 p.m. on Friday, 11 June 2021

Latest date for posting of remittances
to Shareholders in respect of
valid acceptances received by the First Closing Date,
assuming the Share Offer becomes, or
is declared, unconditional in all respects
on the First Closing Date (*Note 3*) Wednesday, 23 June 2021

Latest time and date for acceptance of the Share Offer
assuming the Share Offer
becomes, or is declared, unconditional in all respects
on the First Closing Date (*Note 4*) 4:00 p.m. on Friday, 25 June 2021

Latest time and date by which the Share Offer
can become or be declared unconditional
in all respects (*Note 5*) 7:00 p.m. on Tuesday, 20 July 2021

Notes:

1. The Share Offer will close for acceptances at 4:00 p.m. on Friday, 11 June 2021 unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Share Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Share Offer, which announcement will state either the next Closing Date or, if the Share Offer has at that time become unconditional in all respects, a statement that the Share Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Share Offer is closed to those Offer Shareholders who have not accepted the Share Offer.

EXPECTED TIMETABLE

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

Acceptances of the Share Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “Right of Withdrawal” in Appendix I of this Composite Document.

- Remittances in respect of the consideration for the Offer Shares tendered under the Share Offer will be posted to those Offer Shareholders accepting the Share Offer as soon as possible, but in any event within seven Business Days from the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Share Offer complete and valid, and the date on which the Share Offer becomes or is declared unconditional in all respects.
- In accordance with the Takeovers Code, when the Share Offer becomes or is declared unconditional in all respects, at least 14 days’ notice in writing must be given before the Share Offer is closed to those Offer Shareholders who have not accepted the Share Offer. The date set out here is indicative only as the actual date on which the Share Offer becomes or is declared unconditional in all respects is yet to be confirmed.
- In accordance with the Takeovers Code, except with the consent of the Executive, the Share Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document is posted. Accordingly, unless the Share Offer has previously become unconditional as to acceptances, the Share Offer will lapse on 20 July 2021 unless extended with the consent of the Executive.

All time and date references contained in this Composite Document and accompanying Form of Acceptance are to Hong Kong times and dates.

IMPORTANT NOTICES

NOTICE TO SHAREHOLDERS OUTSIDE OF HONG KONG

The making and implementation of the Share Offer to holders of the Offer Shares who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such holders are located. Such holders should inform themselves about and observe any applicable legal or regulatory requirements.

Please refer to the section headed “General matters relating to the Share Offer — Overseas Shareholders” of the “Letter from Deloitte Corporate Finance” in this Composite Document for further information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the joint announcement issued by the Offeror and the Company on 8 April 2021 in relation to, among others, the Share Offer and the Option Offer
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of directors of the Company
“Business Day”	a day on which the Stock Exchange is open for transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Class (6)”	presumption class (6) under the definition of “acting in concert” of the Takeovers Code
“Class (8)”	presumption class (8) under the definition of “acting in concert” of the Takeovers Code
“Class (9)”	presumption class (9) under the definition of “acting in concert” of the Takeovers Code
“Closing Date”	means any closing date(s) subsequent to the First Closing Date including, but not limited to the 14th day after the day on which the Share Offer is declared unconditional in all respects and those dates that may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Qinqin Foodstuffs Group (Cayman) Company Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 1583)
“Composite Document”	this composite document issued jointly by the Offeror and the Company to the Offer Shareholders in connection with the Share Offer in compliance with the Takeovers Code

DEFINITIONS

“Conditions”	the conditions of the Share Offer, as set out under the section headed “Conditions to the Share Offer” of the “Letter from Deloitte Corporate Finance” of this Composite Document
“Deloitte Corporate Finance”	Deloitte & Touche Corporate Finance Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Share Offer
“Despatch Date”	21 May 2021, the date of despatch of this Composite Document
“Director(s)”	the director(s) of the Company
“Easy Success”	Easy Success International Investment Limited, a limited liability company incorporated in the British Virgin Islands which is directly wholly and beneficially owned by Mr. Wu HL
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“First Closing Date”	means 11 June 2021, being the 21st day after the despatch of this Composite Document
“Form of Acceptance”	the form of acceptance and transfer in respect of the Share Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“Hengan”	Hengan International Group Company Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange (Stock Code: 1044)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board, comprising Mr. Wu Sichuan, Mr. Wu Yinhang, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil, formed for the purpose of advising the Offer Shareholders in respect of the Share Offer
“Investor Participant”	the person admitted to participate in CCASS as investor participants
“Irrevocable Undertakings”	the irrevocable and unconditional undertakings by all the Offer Optionholders to the Offeror and the Company, among other matters, not to accept the Option Offer, as described in more detail in the section headed “The Irrevocable Undertakings and Reasons for Not Making the Option Offer” in the “Letter from Deloitte Corporate Finance”
“King Terrace”	King Terrace Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Hui CL. King Terrace Limited is a de facto concert party and presumed to be acting in concert with the Offeror under Class (8) and Class (9), and is not interested in any Shares, Options or derivatives of the Company as at the Latest Practicable Date
“Last Trading Day”	7 April 2021, being the last full trading day prior to the publication of the Announcement
“Latest Practicable Date”	18 May 2021, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an unsecured loan in the amount of HK\$940,000,000 granted by King Terrace to the Offeror
“Mr. Hui CL”	Mr. Hui Ching Lau, an executive Director and Chairman of the Company, and the sole legal and beneficial owner of the Offeror
“Mr. Hui LC”	Mr. Hui Lin Chit, a non-executive Director of the Company
“Mr. Wu HL”	Mr. Wu Huolu, a non-executive Director of the Company, and directly wholly and beneficially owns Easy Success

DEFINITIONS

“Mr. Wu YD”	Mr. Wu Yongde, a brother of Mr. Wu HL
“Offer Optionholder(s)”	holder(s) of Option(s), other than members of the Offeror Concert Party Group
“Offer Option(s)”	all and any of the Options that are subject to the Option Offer
“Offer Period”	has the meaning given to it in the Takeovers Code, which commenced on 8 April 2021, being the date of the Announcement, and ending on the Closing Date
“Offer Shareholder(s)”	holder(s) of Share(s), other than members of the Offeror Concert Party Group
“Offer Share(s)”	all and any of the Shares that are subject to the Share Offer
“Offeror”	Sure Wonder Limited, a limited liability company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Hui CL
“Offeror Concert Party Group”	the Offeror, King Terrace, Mr. Hui CL and parties acting in concert with any one of them
“Option(s)”	share options granted by the Company pursuant to the Share Option Scheme of the Company
“Option Offer”	the voluntary conditional cash offer intended to be made by Deloitte Corporate Finance for and on behalf of the Offeror to cancel all the Offer Options being held by the Offer Optionholders in accordance with the Takeovers Code. For the avoidance of doubt, the Option Offer will not be made by Deloitte Corporate Finance pursuant to the receipt of the Irrevocable Undertakings by the Offeror and the Company
“Option Offer Announcement”	the joint announcement issued by the Offeror and the Company on 19 April 2021 in relation to, <i>inter alia</i> , the Irrevocable Undertakings and the Option Offer
“Optionholder(s)”	the holders of the Options
“Opus Capital” or “Independent Financial Adviser”	Opus Capital Limited, a licensed corporation registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the independent financial adviser to the Independent Board Committee in connection with the Share Offer

DEFINITIONS

“Overseas Shareholder(s)”	Offer Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this Composite Document)
“QinQin BVI”	QinQin Foodstuffs Group Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Registrar”	Tricor Investor Services Limited
“Relevant Period”	the period from 8 October 2020, being the date six months before the date of the Announcement, up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC; for illustration purpose only, in this Composite Document, the conversion of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.21, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share Offer”	the voluntary conditional cash offer by Deloitte Corporate Finance, for and on behalf of the Offeror, to acquire all the issued Shares not already owned and/or agreed to be acquired by the Offeror Concert Party Group in accordance with the Takeovers Code
“Share Offer Price”	HK\$2.23 per Share, being the price at which the Share Offer will be made
“Share Option Scheme”	the share option scheme adopted by the Company on 16 May 2017
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscribers”	the six subscribers of 80,000,000 Shares in aggregate at HK\$2.2 per Share under the Subscription Agreements and “Subscriber” means any one of them
“Subscription Agreements”	the subscription agreements entered into between each of the Subscribers and the Company on 22 December 2020 in relation to the subscription and allotment of 80,000,000 Shares in aggregate at the subscription price of HK\$2.2 per Share
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Sze’s Family Trust”	the family trust of which Mr. Sze Man Bok is the settlor and beneficiary
“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong
“Third Party Rights”	any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement, or any agreement to create any of the above or any other third party rights of any nature
“%”	per cent.

1. All time and date references contained in this Composite Document refer to Hong Kong times and dates.
2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
3. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are included for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or Chinese translation of such English names or words, respectively.
4. The singular includes the plural and vice versa, unless the context otherwise requires.
5. References to any Appendix, paragraph and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
6. References 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.
7. Reference to one gender is a reference to all or any genders.



Deloitte & Touche Corporate Finance Limited
39/F, One Pacific Place
88 Queensway
Hong Kong

21 May 2021

To the Offer Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED
FOR AND ON BEHALF OF
SURE WONDER LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SURE WONDER LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Announcement and the Option Offer Announcement.

This letter forms part of this Composite Document and sets out, among other matters, principal terms of the Share Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Share Offer are set out in “Appendix I - Further Terms of the Share Offer” to this Composite Document, and the accompanying Form of Acceptance. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

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

LETTER FROM DELOITTE CORPORATE FINANCE

THE SHARE OFFER

Deloitte Corporate Finance, for and on behalf of the Offeror, hereby makes the Share Offer in compliance with the Takeovers Code on the following basis:

For each Offer ShareHK\$2.23 in cash

The Share Offer is extended to all Offer Shareholders in accordance with the Takeovers Code.

THE IRREVOCABLE UNDERTAKINGS AND REASONS FOR NOT MAKING THE OPTION OFFER

As at the Latest Practicable Date, there were 11,260,000 Options outstanding and granted under the Share Option Scheme. As at the Latest Practicable Date, there were 10,800,000 Offer Options outstanding and granted under the Share Option Scheme, their respective exercise prices and the respective periods in which they are exercisable are set out below:

Exercise price <i>(HK\$ per Share)</i>	Exercise period	Number of Outstanding Offer Options as at the Latest Practicable Date
2.56	From 7 June 2019 to 6 June 2022	2,250,000
2.56	From 7 June 2020 to 6 June 2022	2,250,000
2.31	From 17 August 2020 to 16 August 2023	3,150,000
2.31	From 17 August 2021 to 16 August 2023	3,150,000

As disclosed in the Option Offer Announcement, the Offeror and the Company received the Irrevocable Undertakings from all the Offer Optionholders, pursuant to which all the Offer Optionholders have made the following irrevocable and unconditional undertakings to the Offeror and the Company, on the basis that the Board has agreed and notified the Offer Optionholders that the Offer Options will remain exercisable at the exercise period as determined at the time the Offer Options were granted:—

- a) the Offer Optionholders will not exercise or otherwise deal in all or any part of the Offer Options; and
- b) the Offer Optionholders will not accept the Option Offer in respect of all or any part of the Offer Options.

LETTER FROM DELOITTE CORPORATE FINANCE

As part of the Irrevocable Undertaking, each Offer Optionholder has represented to the Offeror and the Company that (i) the relevant Offer Options held by the Offer Optionholders are not subject to any encumbrances and (ii) he or she is not a Shareholder.

The Irrevocable Undertakings will be effective until (i) one month after the date where notice is given to the Optionholders by the Company upon the Share Offer having become or declared unconditional in all respects or (ii) the close of such Share Offer, whichever is later. As the Irrevocable Undertakings will result in zero acceptances in respect of the Option Offer, the Option Offer will not be made for the cancellation of the Offer Options.

Comparison of value

The Share Offer Price of HK\$2.23 per Offer Share represents:

- (i) a discount of approximately 3.04% to the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.04% to the average closing price of HK\$2.30 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 3.88% to the average closing price of HK\$2.32 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 5.11% to the average closing price of HK\$2.35 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 5.51% to the average closing price of HK\$2.36 per Share as quoted on the Stock Exchange for the ninety (90) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 1.33% to the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 4.21% over the audited consolidated net assets per Share of approximately RMB1.77 (equivalent to approximately HK\$2.14) as at 31 December 2020, based on the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB1,335,958,000 as at 31 December 2020 and 755,096,557 Shares in issue as at the Latest Practicable Date.

Highest and lowest closing prices of the Shares

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.48 per Share on 19 February 2021 and HK\$2.20 per Share on 21 December 2020 respectively.

LETTER FROM DELOITTE CORPORATE FINANCE

Value of the Share Offer

As at the Latest Practicable Date, there were 755,096,557 Shares in issue, of which 406,301,374 Shares were held by the Offer Shareholders.

Based on the Share Offer Price of HK\$2.23 per Offer Share, the entire issued Shares as at the Latest Practicable Date was valued at approximately HK\$1,683,865,322.11.

Taking into account the Irrevocable Undertakings, no Options will be validly exercised before the close of the Share Offer. On the assumption that the Share Offer is accepted in full and on the basis that there is 406,301,374 Offer Shares, the value of the Share Offer is approximately HK\$906,052,064.02.

By reference to the annual report of the Company for the year ended 31 December 2020, the Board did not recommend the payment of final dividend for the year ended 31 December 2020. As at the Latest Practicable Date, the Company confirmed that it has no intention to propose, declare or make any dividends or distribution before the Closing Date.

Confirmation of financial resources

The Offeror will finance the consideration of the Share Offer by the Loan. There is no arrangement in relation to the Loan under which 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.

The principal terms of the Loan are set out as follows:

Date: 8 April 2021

Parties: (1) Offeror as borrower
(2) King Terrace as lender

Principal amount: HK\$940,000,000

Interest rate: Interest free

Repayment: All outstanding amount of the Loan shall be fully repaid on 31 December 2022, failing which King Terrace as lender can take legal action against the Offeror through the courts of Hong Kong. Since both the Offeror and King Terrace are wholly owned by Mr. Hui CL, the Offeror has no intention to breach the terms of the Loan.

Pursuant to the relevant loan agreement of the Loan, King Terrace has undertaken to the Offeror that it will not demand repayment of any portion of the Loan prior to the eighth (8th) Business Day after the date on which the Share Offer being declared closed or lapsed.

LETTER FROM DELOITTE CORPORATE FINANCE

Deloitte Corporate Finance, the financial adviser to the Offeror in respect of the Share Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for full acceptance of the Share Offer.

CONDITIONS TO THE SHARE OFFER

The Share Offer is only subject to valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired by the Offeror Concert Party Group before or during the Share Offer, would result in the Offeror Concert Party Group holding more than 50.00% of the voting rights in the Company. The Offeror and the Company confirm that no regulatory approvals, authorisations or consents are required for the Share Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes unconditional as to acceptances and when the Share Offer becomes unconditional in all respects. The Share Offer must also remain open for acceptance for at least fourteen (14) days after the Share Offer becomes unconditional in all respects.

Further announcement(s) in relation to the revision, extension or lapse of the Share Offer or the fulfillment of the Conditions shall be made in accordance with the Takeovers Code and Listing Rules in due course.

WARNING:

The Share Offer is subject to the Conditions being fulfilled and the Share Offer may or may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the securities in the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

GENERAL MATTERS RELATING TO THE SHARE OFFER

Effects of accepting the Share Offer

By validly accepting the Share Offer, the Offer Shareholders shall sell their Offer Shares free from all Third Party Rights and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Share Offer is made, being the Despatch Date.

Acceptance of the Share Offer will be irrevocable and will not be capable of being withdrawn, except in the circumstances as set out in the section headed “Right of Withdrawal” in Appendix I of this Composite Document.

LETTER FROM DELOITTE CORPORATE FINANCE

Payment

Subject to the Share Offer having become, or have been declared, unconditional in all respects, payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event within seven (7) Business Days following the later of (i) the date of receipt of a duly completed acceptance of the Share Offer and (ii) the date on which the Share Offer become or are declared unconditional in all aspects.

Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Share Offer complete and valid. If the Share Offer is withdrawn or lapsed, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event within ten (10) days thereof, post the Share certificates lodged with the Forms of Acceptance to, or make such Share certificates available for collection by, those Offer Shareholders who have accepted the Share Offer.

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

Overseas Shareholders

The Offeror intends to make the Share Offer available to all Offer Shareholders, including the Overseas Shareholders. However, the Share Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident. The making of the Share Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations 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 independent legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

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

LETTER FROM DELOITTE CORPORATE FINANCE

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Share Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Offer Shareholders who accepted the Share Offer. The Offeror will bear buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

Taxation advice

Offer Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Share Offer. None of the Company, the Offeror Concert Party Group or any of their respective directors, officers or associates or any other person involved in the Share Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

ARRANGEMENTS IN CONNECTION WITH THE SHARE OFFER

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the 348,795,183 Shares (representing approximately 46.20% of the issued Shares) and the 460,000 Options currently owned by the Offeror Concert Party Group, no member of the Offeror Concert Party Group owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;
- (ii) no member of the Offeror Concert Party Group had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (iii) 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 Share Offer;
- (iv) there is no agreement or arrangement to which a member of the Offeror Concert Party Group is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Share Offer;
- (v) no member of the Offeror Concert Party Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

LETTER FROM DELOITTE CORPORATE FINANCE

- (vi) no member of the Offeror Concert Party Group has received any irrevocable commitment to accept the Share Offer. Pursuant to the Irrevocable Undertakings, all the Optionholders have irrevocably committed themselves not to exercise or otherwise deal in all or any part of the Offer Options and not to accept the Option Offer in respect of all or any part of the Offer Options, who aggregately held 10,800,000 outstanding Options as at the Latest Practicable Date, being all the Offer Options;
- (vii) there is no outstanding derivative in respect of the securities in the Company entered into by any member of the Offeror Concert Party Group; and
- (viii) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholders; and (b)(i) any member of the Offeror Concert Party Group, or (b)(ii) the Company, its subsidiaries or associated companies.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, shares of which have been listed on Stock Exchange since July 2016. The Group is principally engaged in the manufacturing, distribution and sale of food and snack products in the PRC.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Mr. Hui CL. Mr. Hui CL is also currently an executive Director and Chairman of the Company, and a director of most of the Company's subsidiaries. He has been responsible for providing leadership, guidance and strategic advice on corporate development and investment of the Group. He has accumulated over 16 years of experience in the food and snacks business since he became a director of some of the Company's subsidiaries in April 2003.

INTENTION OF THE OFFEROR REGARDING THE GROUP

It is the intention of the Offeror and Mr. Hui CL that the Group's existing principal activities will be maintained after the close of the Share Offer. Following the close of the Share Offer, the Offeror and Mr. Hui CL intend to continue to pursue and promote strategies to enhance future development of the Group and to create greater value for its shareholders.

Save as in connection with the intention of the Offeror and Mr. Hui CL regarding the Group as set out above, the Offeror and Mr. Hui CL have no plan or intention to (i) discontinue the employment of the existing management and employees of the Group; (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) materially change the Group's existing business operation. The Board intends to cooperate with the Offeror and act in the best interests of the Company and its Shareholders as a whole.

LETTER FROM DELOITTE CORPORATE FINANCE

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Share 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.

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

The Company and the Offeror consider that the appropriate actions to be taken after the close of the Share Offer may include placing down of sufficient number of accepted Shares by the Offeror and/or issuance of additional Shares by the Company for this purpose. Separate announcement(s) will be issued in accordance with the Listing Rules as and when appropriate in this regard.

COMPULSORY ACQUISITION

The Offeror does not intend to privatise the Company by availing itself of any powers of compulsory acquisition of the remaining Shares not acquired under the Share Offer after the close of the Share Offer.

FURTHER DETAILS OF THE SHARE OFFER

Further details of the Share Offer including the terms of the Share Offer, documents required and procedures for acceptance, settlement, acceptance period and taxation matters are set out in “Appendix I - Further Terms of the Share Offer” to this Composite Document and the accompanying Form of Acceptance.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Offeror (including persons holding 5% or more of a class of relevant securities of the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

LETTER FROM DELOITTE CORPORATE FINANCE

The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

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

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

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

GENERAL

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

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

All documents and remittances to be sent to the Offer Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to the Offer Shareholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Offer Shareholders, to such Offer Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror and parties acting in concert with it, Deloitte Corporate Finance, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other parties involved in the Share 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.

LETTER FROM DELOITTE CORPORATE FINANCE

Additional information

The Offer Shareholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Opus Capital”, the accompanying Form of Acceptance and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Limited
Kelvin Ho
Executive Director

LETTER FROM THE BOARD

Qinqin Foodstuffs Group (Cayman) Company Limited
親親食品集團(開曼)股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1583)

Executive directors:

HUI Ching Lau (*Chairman*)

WONG Wai Leung (*Chief Financial Officer and
Company Secretary*)

Mr. Wu Wenxu (*Chief Executive Officer*)

Registered office in the Cayman Islands:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Non-executive directors:

HUI Lin Chit

SZE Man Bok

WU Huolu

WU Sichuan

WU Yinhang

Head office in the PRC:

Wuli Industrial Park

Jinjiang City

Fujian Province, the PRC

Independent non-executive directors:

CAI Meng

CHAN Yiu Fai Youdey

NG Swee Leng

Paul Marin THEIL

Principal place of business in Hong Kong:

Unit 2601, 26th Floor

Admiralty Centre, Tower 1

18 Harcourt Road

Hong Kong

21 May 2021

To Offer Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED
FOR AND ON BEHALF OF
SURE WONDER LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SURE WONDER LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Announcement and the Option Offer Announcement. Deloitte Corporate Finance will, on behalf of the Offeror, make the Share Offer to acquire all of the Offer Shares in the issued share capital of the Company at HK\$2.23 per Offer Share.

LETTER FROM THE BOARD

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Offeror and the intentions of the Offeror in relation to the Group. Further details on the terms of the Share Offer are set out in this letter, Appendix I — “Further Terms of the Share Offer” to this Composite Document and in the accompanying Form of Acceptance.

The purpose of this Composite Document is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Share Offer; (ii) a letter from Deloitte Corporate Finance containing, among other things, details of the Share Offer; (iii) a letter from the Independent Board Committee containing its recommendation in respect of the Share Offer; and (iv) a letter from Opus Capital containing its advice to the Independent Board Committee in relation to the Share Offer.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Wu Sichuan and Mr. Wu Yinhang, both being non-executive Directors, and Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil, all being independent non-executive Directors, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Offer Shareholders as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

Mr. Hui LC, Mr. Sze Man Bok and Mr. Wu HL, all being non-executive Directors, do not form part of the Independent Board Committee as they are members of the Offeror Concert Party Group.

In addition, as approved by the Independent Board Committee, the Independent Financial Adviser, Opus Capital, has been appointed to advise the Independent Board Committee in connection with the Share Offer and, in particular, as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer pursuant to Rule 2.1 of the Takeovers Code.

3. THE SHARE OFFER

As at the Latest Practicable Date, there were 755,096,557 Shares in issue and 11,260,000 outstanding Options. The Share Offer will be made by Deloitte Corporate Finance on behalf of the Offeror on the following basis:

For each Offer Share HK\$ 2.23 in cash

LETTER FROM THE BOARD

4. THE IRREVOCABLE UNDERTAKINGS AND REASONS FOR NOT MAKING THE OPTION OFFER

Offer Options

As at the Latest Practicable Date, there were 11,260,000 outstanding and granted under the Share Option Scheme. The exercise prices of the 10,800,000 Offer Options outstanding as at the Latest Practicable Date and granted under the Share Option Scheme and the period in which they are exercisable are set out below:

Exercise price <i>(HK\$ per Share)</i>	Exercise period	Number of Outstanding Offer Options as at the Latest Practicable Date
2.56	From 7 June 2019 to 6 June 2022	2,250,000
2.56	From 7 June 2020 to 6 June 2022	2,250,000
2.31	From 17 August 2020 to 16 August 2023	3,150,000
2.31	From 17 August 2021 to 16 August 2023	3,150,000

In accordance with the terms of the Share Option Scheme, if a general offer resulting in a change of control of the Company is made to all the Shareholders (or all such holders other than the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Options, the Company shall forthwith give notice to the Optionholders and the Optionholders are entitled to exercise the Options in full within the One-month Notice Period, irrespective of the fact that Options are not otherwise exercisable during the offer period. Unless otherwise notified by the Company at the discretion of the board of Directors, any Options which remain outstanding shall lapse automatically at the end of the One-month Notice Period. The Board has notified the Optionholders that the Options will not lapse automatically at the end of the One-month Notice Period, and to the extent not exercised during the One-month Notice Period, will remain exercisable at the exercise periods as determined at the time the Options were granted.

LETTER FROM THE BOARD

Reasons for not making the Option Offer

The Company and the Offeror have received the Irrevocable Undertakings on 16 April 2021, pursuant to which all the Offer Optionholders have made the following undertaking to the Company and the Offeror on the basis that the Board has agreed and notified the Offer Optionholders that Offer Options will remain exercisable at the exercise period determined at the time the Offer Options were granted:—

- (a) the Offer Optionholders will not exercise or otherwise deal in all or any part of the Offer Options; and
- (b) the Offer Optionholders will not accept the Option Offer in respect of all or any part of the Offer Options.

The Irrevocable Undertakings will be effective until (i) one month after the date where notice is given to the Optionholders by the Company upon the Share Offer having become or declared unconditional or (ii) the close of such Share Offer, whichever is later.

As this would result in zero acceptance in respect of the Option Offer, Deloitte Corporate Finance would not make the Option Offer for and on behalf of the Offeror.

As part of the Irrevocable Undertaking, each Offer Optionholder has represented to the Offeror and the Company that (i) the relevant Offer Options held by the Offer Optionholders are not subject to any encumbrances and (ii) he or she is not a Shareholder.

Reference is made to the circular issued by the Company in relation to, among other things, the Share Option Scheme dated 11 April 2017 (the “**Circular**”). Page 29 of the Circular (item 6(i) thereof) stipulated that upon the occurrence of a voluntary offer (item 6(e) thereof), the Company may, based on the decision of the Board in its discretion notwithstanding the terms of the relevant Options, give notice to the Optionholders that the relevant Options may be exercised at any time within such period as shall be notified by the Company (the “**Extension of Exercise Period**”).

The Share Option Scheme was adopted by way of an ordinary resolution at the annual general meeting of the Company held on 16 May 2017 in accordance with Chapter 17 of the Listing Rules. Therefore, no Shareholders’ approval is required in respect of the Extension of Exercise Period.

5. VALUE OF THE SHARE OFFER

Your attention is drawn to the sections headed the “*The Share Offer*” and “*Value of the Share Offer*” in the “*Letter from Deloitte Corporate Finance*” in this Composite Document which sets out the value of the Share Offer.

LETTER FROM THE BOARD

6. CONDITIONS TO THE SHARE OFFER

Your attention is drawn to the section headed “*Conditions to the Share Offer*” in the “*Letter from Deloitte Corporate Finance*” in this Composite Document which sets out the conditions to the Share Offer.

7. INFORMATION OF THE OFFEROR AND INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the sections headed “*Information of the Offeror*” and “*Intention of the Offeror Regarding the Group*” in the “*Letter from Deloitte Corporate Finance*” in this Composite Document.

The Board notes that the Offeror and Mr. Hui CL intends to maintain the Group’s existing principal activities after close of the Share Offer and have no plan or intention to (i) discontinue the employment of the existing management and employees of the Group; (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) materially change the Group’s existing business operation. The Board intends to cooperate with the Offeror and act in the best interests of the Company and its Shareholders as a whole.

9. INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, shares of which have been listed on Stock Exchange since July 2016. The Group is principally engaged in the manufacturing, distribution and sale of food and snack products in the PRC.

Your attention is drawn to “Appendix II — Financial Information of the Group”, “Appendix III — Property Valuation Report” and “Appendix IV — General Information” to this Composite Document in relation to certain financial information, property valuations and general information of the Group.

10. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (a) a false market exists or may exist in the trading of the Shares; or (b) that there are insufficient Shares in public hands to maintain an orderly market; it will consider exercising its discretion to suspend dealings in the Shares.

The Board notes that: (i) the Offeror intends the Company to remain listed on the Stock Exchange; and (ii) the sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Company and the Offeror consider that the appropriate actions to be taken after the close of the Share Offer may include placing down of sufficient number of accepted Shares by the Offeror and/or issuance of additional Shares by the Company for this purpose.

LETTER FROM THE BOARD

11. RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 24 to 25 of this Composite Document, which contains its recommendation to the Offer Shareholders in relation to the Share Offer and (ii) the “Letter from Opus Capital” on pages 26 to 51 of this Composite Document, which sets out its advice to the Independent Board Committee in relation to the Share Offer and as to the acceptance of the Share Offer.

You are also advised to read the “Letter from Deloitte Corporate Finance”, the Appendices to this Composite Document and the Form of Acceptances in respect of the terms and acceptance and settlement procedures of the Share Offer.

Offer Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Share Offer.

Yours faithfully,
By order of the board of
Qinqin Foodstuffs Group (Cayman) Company Limited
Wong Wai Leung
*Executive Director, Chief Financial Officer and
Company Secretary*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Qinqin Foodstuffs Group (Cayman) Company Limited

親親食品集團(開曼)股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1583)

21 May 2021

To the Offer Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED
FOR AND ON BEHALF OF
SURE WONDER LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SURE WONDER LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 21 May 2021 issued jointly by Offeror and the Company of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in this Composite Document.

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

Opus Capital has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Share Offer.

We draw your attention to the “Letter from Deloitte Corporate Finance” set out on pages 7 to 17 of this Composite Document which contains, *inter alia*, information about the Share Offer, and the “Letter from Opus Capital” set out on pages 26 to 51 of this Composite Document which contains the details of its advice and the principal factors taken into consideration in arriving at its recommendations in respect of the Share Offer.

We also draw your attention to the “Letter from the Board” set out on pages 18 to 23 of this Composite Document and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms of the Share Offer and acceptance and settlement procedures for the Shares.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendations from Opus Capital, we consider that the terms of the Share Offer are fair and reasonable so far as the Offer Shareholders are concerned, and recommend the Offer Shareholders to accept the Share Offer.

Notwithstanding our recommendations, the Offer Shareholders should consider carefully the terms and conditions of the Share Offer. If in doubt, the Offer Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
The Independent Board Committee
Qinqin Foodstuffs Group (Cayman) Company Limited

Mr. Wu Sichuan **Mr. Wu Yinhang**
Non-executive Directors

Mr. Cai Meng **Mr. Chan Yiu Fai Youdey** **Mr. Ng Swee Leng** **Mr. Paul Marin Theil**
Independent non-executive Directors

LETTER FROM OPUS CAPITAL

Set out below is the letter of advice from Opus Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer, which has been prepared for the purpose of inclusion in this Composite Document.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

21 May 2021

To: The Independent Board Committee of Qinqin Foodstuffs Group (Cayman) Company Limited

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED
FOR AND ON BEHALF OF
SURE WONDER LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY SURE WONDER LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee in connection with the Share Offer. Details of the Share Offer are set out in this Composite Document dated 21 May 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

Reference is made to the Announcement and the Option Offer Announcement. Deloitte Corporate Finance will, for and on behalf of the Offeror, make the Share Offer to acquire all the Offer Shares in the issued share capital of the Company at HK\$2.23 per Offer Share.

THE INDEPENDENT BOARD COMMITTEE

We note that certain non-executive Directors, namely Mr. Hui LC, Mr. Sze Man Bok and Mr. Wu HL, have been excluded from the Independent Board Committee as they are members of the Offeror Concert Party Group.

LETTER FROM OPUS CAPITAL

The Independent Board Committee, comprising the remaining non-executive Directors, namely Mr. Wu Sichuan and Mr. Wu Yinhang and all the independent non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil, has been established by the Company in accordance with Rule 2.1 of the Takeovers Code to make a recommendation to the Offer Shareholders in respect of the Share Offer, as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. We have been appointed by the Company to advise the Independent Board Committee in the same regard. Our appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, the Offeror, the Offeror Concert Party Group or any of their respective controlling shareholder, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Share Offer, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, the Offeror Concert Party Group or any of their respective controlling shareholder, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Share Offer pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

- (i) the Announcement;
- (ii) the Option Offer Announcement;
- (iii) the announcement (the “**Subscription Announcement**”) of the Company dated 22 December 2020 in relation to the subscription of new Shares under general mandate at a subscription price of HK\$2.2 per new Share (the “**Subscription Price**”);
- (iv) the Company’s annual reports for the two years ended 31 December (“**FY**”) 2019 (the “**2019 Annual Report**”) and 2020 (the “**2020 Annual Report**”);
- (v) a summary of the property valuation report issued by Asset Appraisal Limited, being the independent property valuer to the Company, to value the property interests owned by the Group as at 28 February 2021 (the “**Valuation Summary**”) with the full text of the relevant property valuation report enclosed in Appendix III to this Composite Document; and
- (vi) other information as set out in this Composite Document.

LETTER FROM OPUS CAPITAL

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”) regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in this Composite Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in this Composite Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in this Composite Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in this Composite Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

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

We have not considered the tax and regulatory implications on the Offer Shareholders of acceptance or non-acceptance of the Share Offer since these depend on their individual circumstances. In particular, the Offer Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

LETTER FROM OPUS CAPITAL

PRINCIPAL TERMS OF THE SHARE OFFER

As at the Latest Practicable Date, the Offeror was interested in 248,315,905 Shares, representing approximately 32.89% of the issued Shares and in aggregate, the Offeror Concert Party Group was interested in 348,795,183 Shares, representing approximately 46.19% of the issued Shares.

1. The Share Offer

Deloitte Corporate Finance will, for and on behalf of the Offeror, make the Share Offer in compliance with the Takeovers Code on the following basis:

For each Offer ShareHK\$2.23 in cash

As at the Latest Practicable Date, there were 755,096,557 Shares in issue and 11,260,000 outstanding Options.

As stated in the Letter from the Board, the Company and the Offeror have received the Irrevocable Undertakings on 16 April 2021 from the Offer Optionholders which would result in zero acceptance in respect of the Option Offer, therefore Deloitte Corporate Finance would not make the Option Offer for and on behalf of the Offeror.

For further details in relation to the Option Offer and the Irrevocable Undertaking, please refer to, among others, the Announcement, the Option Offer Announcement and the section headed “4. The Irrevocable Undertakings and reasons for not making the Option Offer” under the Letter from the Board of this Composite Document.

2. Conditions to the Share Offer

The Share Offer is only subject to valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired by the Offeror Concert Party Group before or during the Share Offer, would result in the Offeror Concert Party Group holding more than 50.00% of the voting rights in the Company. The Offeror and the Company confirm that no regulatory approvals, authorisations or consents are required for the Share Offer.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes unconditional as to acceptances and when the Share Offer becomes unconditional in all respects. The Share Offer must also remain open for acceptance for at least fourteen (14) days after the Share Offer becomes unconditional in all respects.

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3. Value of the Share Offer

As at the Latest Practicable Date, there were 755,096,557 Shares in issue. On the basis of the Share Offer Price of HK\$2.23 per Offer Share, the total issued share capital of the Company would be valued at approximately HK\$1,683,865,322.11.

Taking into account the Irrevocable Undertakings, no Options will be validly exercised before the close of the Share Offer. Assuming the Share Offer is accepted in full and based on the Share Offer Price of HK\$2.23 per Offer Share and 406,301,374 Offer Shares, the value of the Share Offer will be approximately HK\$906,052,064.02.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Share Offer, we have taken into account the following principal factors and reasons:

1. Information on the Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, shares of which have been listed on Stock Exchange after being spun-off from Hengan since July 2016. The Group is principally engaged in the manufacturing, distribution and sale of food and snack products in the PRC.

2. Financial information of the Group

Set forth below is a summary of the: (i) audited consolidated financial information of the Group for FY2018, FY2019 and FY2020 as extracted from the 2019 Annual Report and the 2020 Annual Report. Further details of the financial information of the Group are set out in Appendix II to this Composite Document.

Table 1: Summary of the consolidated financial performance of the Group

	FY2020 <i>(Audited)</i> RMB'000	FY2019 <i>(Audited)</i> RMB'000	FY2018 <i>(Audited)</i> RMB'000
Revenue			
— Jelly products	421,257	411,466	435,238
— Crackers and chips	217,704	183,154	210,273
— Seasoning products	74,724	69,734	87,307
— Confectionery and other products	79,144	26,498	29,001
	<u>792,829</u>	<u>690,852</u>	<u>761,819</u>
Profit attributable to the Shareholders	17,660	81,187	32,760

Sources: the 2019 Annual Report and the 2020 Annual Report

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FY2019

The Group recorded a total revenue of approximately RMB690.9 million in FY2019, representing a decrease of approximately RMB70.9 million or approximately 9.3% as compared to the total revenue of approximately RMB761.8 million in FY2018 which was mainly attributable to the strategic adjustment in sales strategies by increasing the promotion and related sales expenditures on new and high-margin products while the product promotional activities and expenses on existing and low-margin products was reduced. It resulted in a decrease in the sales volume of existing and low-margin products and a decrease in the total revenue. In FY2019, the revenue was primarily generated from four major business lines: (i) jelly products; (ii) crackers and chips; (iii) seasoning products; and (iv) confectionery and other products. In FY2019, the revenue generated from the sales of jelly products accounted for more than half of the total revenue of the Group which amounted to approximately RMB411.5 million, representing a year-on-year decrease of approximately 5.5% as compared to approximately RMB435.2 million in FY2018 which was attributable to the aforementioned change in sales strategies of focusing on the promotion of new and high-margin products which resulted in a drop in the sales volume of existing and low-margin products. During FY2019, as the proportion of sales of new and high-margin products to total sales increased, together with the impact from sales strategies adjustments to reduce its promotional activities and expenses on its existing and low-margin products, such factors resulted in a proportionately greater decrease in cost of goods as compared with total revenue, and the Group's gross profit, gross profit margin, operating profit and consolidated net profit all increased during FY2019.

The profit attributable to the Shareholders increased from approximately RMB32.8 million in FY2018 to approximately RMB81.2 million in FY2019, representing an increase of approximately RMB48.4 million or approximately 147.6% which was mainly attributable to: (i) the increase in other income and other gains (on a net basis) which increased from a net loss of approximately RMB0.5 million in FY2018 to a net gain of approximately RMB32.7 million in FY2019 due to gains on modification of lease period of land use rights of approximately RMB15.8 million in FY2019 while there was nil in FY2018 and the gain on disposal of property, plant and equipment of approximately RMB5.1 million in FY2019 while there was a loss on disposal of approximately RMB6.3 million in FY2018; (ii) the decrease in distribution and selling expenses (including costs incurred during transportation of products to distributors or end customers, salaries of sales personnel and other selling expenses which are accounted for as operation expenses) which decreased from approximately RMB131.2 million in FY2018 to approximately RMB118.9 million in FY2019; and (iii) the decrease in administrative expenses which decreased from approximately RMB97.6 million in FY2018 to approximately RMB81.2 million in FY2019.

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FY2020

The revenue of the Group increased from approximately RMB690.9 million in FY2019 to approximately RMB792.8 million in FY2020, representing an increase of approximately RMB101.9 million or approximately 14.8% which was mainly attributable to the increase in the overall sales volume resulted from: (i) the Group's continuous adjustments on product mix and sales strategies; (ii) focusing on new products development to enrich the product portfolio; and (iii) the substantial increase in revenue attributable to the e-commerce business, from approximately RMB8.8 million for FY2019 to approximately RMB60.3 million for FY2020, as a result of the newly established e-commerce division of the Group in Shanghai starting from FY2019. Much like FY2019, the revenue generated from jelly products continued to account for most of the total revenue of the Group for FY2020 which amounted to approximately RMB421.3 million, representing a slight increase of approximately RMB9.8 million or 2.4% as compared to approximately RMB411.5 million in FY2019. The increase was mainly attributable to aforesaid promotion activities. During FY2020, the Group strategically invested additional efforts and resources into e-commerce channels to achieve sales volume growth and increased the percentage of new retail channels. However, the products sold by the Group through e-commerce channels in FY2020 carry a lower net selling price due to higher intensity of product promotional activities and channel expenses, including volume discounts, free gifts and other expenses payable to online platforms which have been deducted from the gross revenue. During FY2020, the increase in total revenue due to the increase in overall sales volume was accompanied with decreases in gross and net profit margins due to the greater rates of increase in cost of goods sold and promotional activities and channel expenses, respectively.

The profit attributable to the Shareholders for FY2020 decreased significantly by approximately RMB63.5 million or 78.2% from approximately RMB81.2 million in FY2019 to approximately RMB17.7 million in FY2020 which was mainly attributable to: (i) the significant increase in distribution and selling expenses (including costs incurred during transportation of products to distributors or end customers, salaries of sales personnel and other selling expenses which are accounted for as operation expenses) from approximately RMB118.9 million in FY2019 to approximately RMB145.2 million in FY2020 attributable to the new e-commerce business which incurred higher distribution cost than the other business; (ii) the significant increase in administrative expenses from approximately RMB81.2 million in FY2019 to approximately RMB145.2 million in FY2020 as a result of the substantial increase in the number of employees which increased from 2,200 as at 31 December 2019 to 2,600 as at 31 December 2020 due to business expansion; (iii) a foreign exchange loss of approximately RMB12.2 million recorded in FY2020 as compared to an foreign exchange gain of approximately RMB13.1 million recorded in FY2019 due to the depreciation of HK\$ and US\$ against RMB during FY2020; and (iv) the decrease in other income and other gains (on a net basis) which decreased from approximately RMB32.7 million in FY2019 to approximately RMB21.0 million in FY2020 due to an one-off gain on disposal of certain land use rights and property of the Group in FY2019 of approximately RMB23.8 million, whereas there was no such disposal gain in FY2020.

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Table 2: Summary of the consolidated financial positions of the Group

	As at December 31	
	2020 <i>(Audited)</i> RMB '000	2019 <i>(Audited)</i> RMB '000
Non-current assets	862,333	493,329
Current assets	980,595	876,245
Current liabilities	488,018	214,751
Non-current liabilities	18,952	8,063
Equity attributable to the Shareholders	1,335,958	1,146,760

Source: the 2020 Annual Report

As at 31 December 2020, the total assets of the Group were approximately RMB1,842.9 million, representing an increase of approximately RMB473.4 million or 34.6% as compared to that as at 31 December 2019. The increase in the total assets was primarily attributable to, among others, (i) the increase in property, plant and equipment of approximately RMB154.8 million; (ii) the increase in construction-in-progress of approximately RMB119.4 million; (iii) the increase in financial assets at fair value through profit and loss of approximately RMB56.9 million; and (iv) the increase in inventory of approximately RMB52.4 million.

The total assets of the Group as at 31 December 2020 principally included: (i) cash and bank balances amounted to approximately RMB711.0 million; (ii) property, plant and equipment amounted to approximately RMB402.4 million; and (iii) construction-in-progress amounted to approximately RMB231.5 million, which accounted for approximately 38.6%, 21.8% and 12.6% of the total assets of the Group as at 31 December 2020 respectively. It is noted that property, plant and equipment and construction-in-progress accounted for a significant portion of the total assets of the Group and the amounts of which increased significantly during FY2020 was mainly as a result of the Group expanding its production facilities in various locations across Xiaogan City, Xiantao City, Jining City, Jinjiang City, Meishan City and Niangxia City in the PRC, the majority of such facilities will be completed and commence production in FY2021.

As at 31 December 2020, the total liabilities of the Group were approximately RMB507.0 million, representing an increase of approximately RMB284.2 million or 127.6% as compared to that as at 31 December 2019. Such increase was mainly attributable to, among others, (i) the increase in other payables and accrued charges of approximately RMB129.0 million due to payables incurred for purchase of property, plant and equipment; (ii) the increase in other borrowings of approximately RMB70.2 million; and (iii) the increase in trade payables of approximately RMB38.5 million.

As at 31 December 2020, the equity attributable to the Shareholders increased by approximately RMB189.2 million or 16.5%, from approximately RMB1,146.8 million as at 31 December 2019 to approximately RMB1,336.0 million.

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According to our review of the Valuation Summary, we note that the carrying amount of the property interests owned by the Group was approximately RMB562.5 million (equivalent to approximately HK\$680.6 million) as at 28 February 2021 while the market value of the property interests owned by the Group amounted to approximately RMB843.3 million (equivalent to approximately HK\$1,020.4 million) as at 28 February 2021 which represented a revaluation surplus of approximately RMB280.8 million (equivalent to approximately HK\$339.8 million) (the “**Property Revaluation Surplus**”). As such, taking into account the Property Revaluation Surplus, the net asset value (“**NAV**”) attributable to the Shareholders as at 31 December 2020 would have increased to approximately RMB1,616.8 million (equivalent to approximately HK\$1,956.3 million) (the “**Adjusted NAV**”). The RMB figures in this paragraph above were converted into HK\$ at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date.

3. Future prospects of the Group

Chinese snack industry, for which the Group operates in, has experienced steady growth in recent years as evidenced by the data released in a market research report on the Chinese snack industry titled “2020年中國休閒食品行業市場報告” (The 2020 Research Report of the Chinese Snack Industry*) (the “**Snack Industry Research Report**”) published by 頭豹研究院 (Leadleo Research Institute*) (“**Leadleo**”), an independent Chinese industry intelligence and research provider, in June 2020. According to the Snack Industry Research Report, the total snack market in China, in terms of total retail sales amount, grew from approximately RMB601.0 billion in 2015 to approximately RMB841.3 billion in 2019, representing a compound annual growth rate (“**CAGR**”) of approximately 8.8%. Driven by further industry and consumption upgrades in the next 5 years, the Snack Industry Research Report suggested that the Chinese snack market will grow at an estimated CAGR of approximately 7.8% for the next five years. By 2024, the Chinese snack market, as measured by total retail sales amount, is expected to reach approximately RMB1.2 trillion. On the other hand, as jelly products and confectionery and other products segments are prominent product segments of the Group which consistently accounted for over 60% of its total revenue for FY2018, FY2019 and FY2020, we note that according to an industry report (the “**Sugar Confectionary Industry Research Report**”) released in February 2021 by Frost & Sullivan (“**F&S**”), an independent global business consulting firm, that the sugar confectionary market in the PRC has been expanding steadily and is one of the largest sugar confectionary markets in the world. From 2014 to 2019, the market size of sugar confectionary retail market had increased from approximately RMB80.0 billion in 2014 to approximately RMB93.7 billion in 2019, with a CAGR of approximately 3.2%. The relevant market is expected to experience a CAGR of approximately 3.1% from 2020 to 2024, reaching approximately RMB109.1 billion by 2024 driven mainly by the growing Chinese consumers’ disposable income and urbanisation efforts.

We note that Leadleo is a PRC-based market research and consulting company established in 2018 which provides syndicated research reports, customised research reports and consulting services. We understand the Snack Industry Research Report is not commissioned by the Group and we do not note any independence issue regarding Leadleo. According to the website of Leadleo

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(<https://www.leadleo.com>) (the “**Leadleo Website**”), Leadleo has a research team of over 300 research analysts with statistics and analysis covering 90 industries with 300 sub-sectors and markets with a sole focus on the PRC market. The Leadleo Website and corporate brochure also mentioned that its business partners include, among others, 博鰲亞洲論壇 (Boao Forum for Asia*), 中國金融信息中心 (China Financial Information Centre*), 富途證券 (Futu Securities) and F&S. We have browsed the Leadleo Website as well as through Internet research and noted that many well-known Chinese media outlets such as The South China Morning Post, 中國日報 (China Daily), 新浪新聞 (Sina News), 信報財經新聞 (Hong Kong Economic Journal) and 財新傳媒 (Caixin Media) also made citations of the research reports issued by Leadleo suggesting acceptable research standards and reputation and that it is an authoritative Chinese source of industry research. We have also noted Leadleo has collaborated with F&S (the profile of which is set out below) to jointly issue industry research reports.

We note F&S is an independent global business consulting firm established since 1961 in New York, the United States which mainly specialises in market research and analysis, growth strategy consulting, and corporate training across multiple industries. We understand the Sugar Confectionary Industry Research Report is not commissioned by the Group and we do not note any independence issue regarding F&S. According to the website of F&S (<https://ww2.frost.com>) (the “**F&S Website**”), F&S has a research team of over 1,200 research analysts and 45 global offices with statistics and analysis covering 10 industries with 35 sectors and 300 markets. The F&S Website also mentioned that its global business partners include, among others, multinational corporations (such as IBM, NEC and Siemens), financial institutions (such as China International Capital Corporation, UBS and Credit Suisse), government ministries, regulators and universities. We have browsed the F&S Website as well as through Internet research and noted that many well-known international and Chinese media outlets such as Bloomberg, Reuters, Yahoo! Finance, The South China Morning Post, The Wall Street Journal, The Financial Times and Nikkei Asia also made citations of the research reports issued by F&S. From a Hong Kong corporate finance perspective, we note F&S is regularly commissioned by and with the contents of its research reports frequently quoted by listed issuers, listing applicants and advisers in their respective public documents. Based on F&S’s established track record of issuing industry research reports and our assessment as stated above, we are of the view that F&S has acceptable research standards and reputation and that it is an authoritative global source of industry research.

We have located another similar research report published by F&S in 2020 pointing to a similar positive trend in the Chinese snack industry observed in the Snack Industry Research Report and the Sugar Confectionary Industry Research Report where the market size of the Chinese snack industry grew at a CAGR of approximately 12.1% between 2012 and 2019. The reason why we opted for (i) the Snack Industry Research Report was because it offered a good break-down of CAGRs of the Snack Catalogue (as defined below) for the period between 2015 and 2019 while the other research report published by F&S did not; and (ii) the Sugar Confectionary Industry Research Report was because it offered a focused commentary on the sugar confectionary market in the PRC. In primarily relying the contents of the Snack Industry Research Report and the Sugar Confectionary Industry Research Report, we confirm our acknowledgement of and compliance with paragraph 5.3 of the Corporate Finance Adviser Code of Conduct published by the SFC in October 2013.

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According to the Snack Industry Research Report, the Chinese snack market can be broadly categorised into: (i) bakery; (ii) roasted nuts; (iii) casual braised food; (iv) chocolate; (v) puffed food; and (vi) others, in our view jelly and confectionery would fall under this “others” category (the “**Snack Catalogue**”). In 2019, the bakery segment, which amounted to approximately RMB241.3 billion, accounted for the largest share of approximately 28.7% of the Snack Catalogue followed by the roasted nuts segment which accounted for approximately 20.8% of the Snack Catalogue. The historical CAGRs of each segment of the Snack Catalogue between 2015 and 2019 are set out below:

Table 3: Historical CAGRs of different segments of the Snack Catalogue

Segment	Casual braised food	Bakery	Roasted nuts	Chocolate	Puffed food
CAGR during 2015 and 2019	15.4%	10.2%	9.9%	4.6%	(5.7)%

Source: the Snack Industry Research Report

As noted from the table above and the Snack Industry Research Report, the casual braised food segment, the bakery segment and the roasted nuts segment are currently in a relatively high growth stage while the chocolate segment and the puffed food segment are relatively mature. We note that jelly products, which accounted for the majority of the Group’s revenue, did not belong to the high growth segments while crackers and chips, which accounted for the second largest portion of the Group’s revenue, was part of the puffed food segment which was experiencing negative market growth.

As disclosed in the 2020 Annual Report, the outbreak of the COVID-19 pandemic in 2020 has brought upon unprecedented challenges and uncertainty on China’s economic development. Under the impact of the pandemic, the food and snacks industry has been facing new challenges and opportunities with the gradual changes in working and consumption habits of people in the PRC. The social distancing measures resulted from the pandemic, either imposed by the relevant government policies or voluntarily taken by Chinese citizens, limited outdoor entertainment and social interaction and therefore have created a culture of staying at home. It has changed the consumption habits of customers and espoused new consumption behaviour of online shopping for consuming snacks. The strong trend of online food sales was evidenced by the data released by 中國人民共和國國家統計局 (The National Bureau of Statistics of the PRC*), in 2020, the annual online food sales amount recorded a year-on-year growth of approximately 30.6% which was significantly higher than the growth of the total annual online sales amount of approximately 10.9%. Such statistics echo with findings of the Sugar Confectionary Industry Research Report where it was noted that the sales value of retail e-commerce in the PRC recorded a CAGR of approximately 33.9% from 2014 to 2019. E-commerce has greatly enhanced the connectivity between retailers and customers which allows the consumers to access to a wide variety of products categories and types of confectioneries on the same e-commerce platform, thus achieving better product promotion and development by enlarging customer base.

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As noted in the 2020 Annual Report, the Group increased the intensity of internet marketing and product promotional activities for its e-commerce business in FY2020 to achieve sales volume growth and increase market share. As such, the revenue from e-commerce business increased by approximately 5.8 times from approximately RMB8.8 million in FY2019 to approximately RMB60.3 million in FY2020, representing approximately 7.7% of the Group's total revenue in FY2020. However, the products sold through the Group's e-commerce channels in FY2020 carried a lower net selling price due to higher intensity of product promotional activities and channel expenses. It resulted in a net loss in the e-commerce business for FY2020 which offset the increase in the Group's gross profit and net profit driven by the increase in overall sales volume. We examined the profit and loss break-down of the e-commerce business for FY2020, it was noted that, owing to the relevant product promotional activities and channel expenses incurred by the e-commerce business, this business was running a small gross loss for FY2020. Should the relevant distribution and selling expenses be accounted for, the e-commerce business' net loss from such business during FY2020 was particularly evident and concerning. As discussed with the Management, it would take time for the Group to achieve even greater amount of product sales to achieve economies of scale under the e-commerce business as well as to develop and to allocate more higher margin products to sell through the e-commerce channels. As disclosed in the 2020 Annual Report, apart from investing and expanding e-commerce business, the Group will stay focus on investing in new products, information management system and new production facilities and equipment.

Although the Group has invested additional efforts and resources into the abovementioned initiatives, amidst the pandemic, the recent three-year financial performance of the Group has been unstable with the most recent net profit declined significantly in FY2020, which, to a large extent, was due to the net loss of the e-commerce business and the fact that it has yet to attain economies of scale. This may suggest that there remains uncertainty as to how the implementation of the abovementioned initiatives can genuinely create sustainable and growing profitability for the Group.

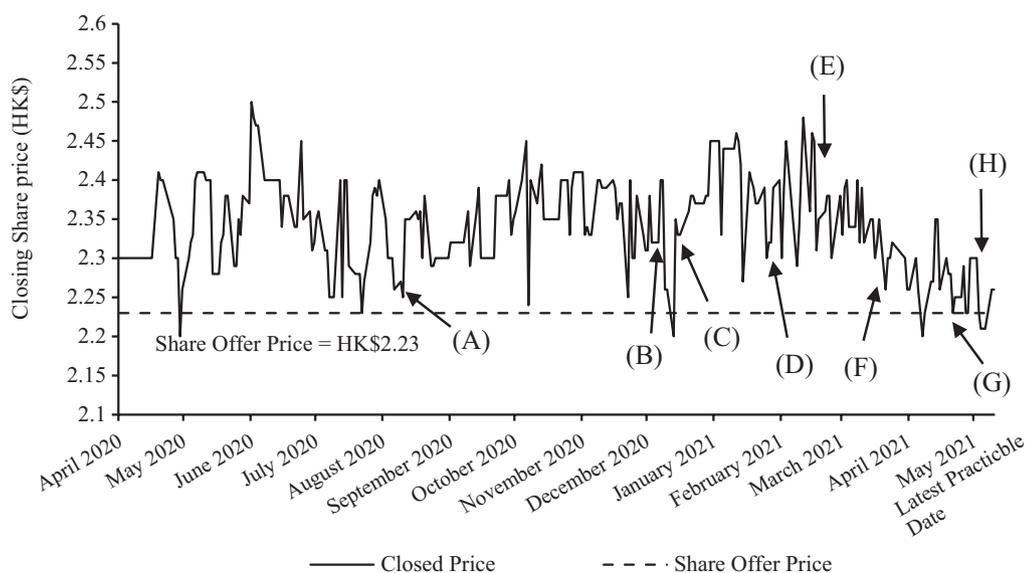
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4. Analysis of price performance and trading liquidity

A. Historical price performance of the Shares

Set out below is the chart showing the daily closing Share prices as quoted on the Stock Exchange during the period commencing from 8 April 2020, being the 12-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”):

Chart 1: Closing Share prices during the Review Period



Source: the website of the Stock Exchange

Item	Date	Announcement
(A)	14 August 2020	Interim results announcement for the six months ended 30 June 2020
(B)	8 December 2020	Appointment of Mr. Wu Wenxu as an executive Director
(C)	22 December 2020	The Subscription Announcement
(D)	26 February 2021	Profit alert announcement
(E)	18 March 2021	Annual results announcement for FY2020
(F)	8 April 2021	The Announcement
(G)	19 April 2021	The Option Offer Announcement
(H)	6 May 2021	Appointment of Mr. Wu Wenxu as the chief executive officer of the Company

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During the Review Period, the Shares traded at a very narrow band which ranged from the lowest of HK\$2.20 per Share on 7 May 2020, 21 December 2020 and 15 April 2021 to the highest of HK\$2.50 per Share on 9 June 2020 with an average closing Share price of approximately HK\$2.34 per Share. The Share Offer Price is broadly within such narrow band and represents a premium of approximately 1.36% over the lowest closing Share price, a discount of approximately 10.80% to the highest closing Share price and a discount of approximately 4.70% to the average closing Share price during the Review Period.

We have reviewed the Share price movement during the Review Period and noted the following notable events: (i) the release of interim results announcement of the Company for the six months ended 30 June 2020 on 14 August 2020; (ii) the release of an announcement on 8 December 2020 regarding the appointment of Mr. Wu Wenxu as executive Director; (iii) the release of the Subscription Announcement; (iv) the release of the profit alert announcement on 26 February 2021 in relation to the annual results of the Company for FY2020; (v) the release of the annual results announcement of the Company for FY2020 on 18 March 2021; (vi) the release of the Announcement on 8 April 2021; (vii) the release of the Option Offer Announcement on 19 April 2021; and (viii) the release of an announcement on 6 May 2021 regarding the appointment of chief executive officer of the Company. We note that none of the abovementioned events have caused any significant price movements during the Review Period.

From the first trading day after the release of the Announcement up to the Latest Practicable Date, the closing Share price remained relatively stable which traded in the range within HK\$2.20 to HK\$2.35 per Share with an average of around HK\$2.26 per Share, which is slightly above the Share Offer Price of HK\$2.23 per Offer Share.

The closing Share price traded slightly above the Share Offer Price in most of the time during the Review Period. Out of 273 trading days in the Review Period, the closing Share price traded below the Share Offer Price for 6 trading days.

We also note that the Share Offer Price is below the closing Share price on the Last Trading Day and the Latest Practicable Date, and represents a discount of approximately 3.04% and 1.33% to the closing Share price on the Last Trading Day and the Latest Practicable Date respectively.

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B. Historical trading volume of the Shares

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

Table 4: Trading volume of the Shares

	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Average daily trading volume to the total number of Shares in issue (Approximate %) <i>Note 1</i>	Average daily trading volume to the number of Shares held by public Shareholders (Approximate %) <i>Note 2</i>
2020					
April (From 10 April)	173,300	14	12,379	0.0018	0.0029
May	702,567	20	35,128	0.0052	0.0082
June	2,012,400	21	95,829	0.0142	0.0225
July	1,302,300	22	59,195	0.0088	0.0139
August	855,567	21	40,741	0.0060	0.0095
September	546,400	22	24,836	0.0037	0.0058
October	1,324,200	18	73,567	0.0097	0.0145
November	2,144,900	21	102,138	0.0135	0.0202
December	1,604,569	22	72,935	0.0097	0.0144
2021					
January	523,506	20	26,175	0.0035	0.0052
February	5,683,840	18	315,769	0.0418	0.0623
March	2,510,000	23	109,130	0.0145	0.0215
April	1,851,720	19	97,459	0.0129	0.0192
May (up to the Latest Practicable Date)	213,300	12	17,775	0.0024	0.0035

Source: the website of the Stock Exchange

Notes:

1. *The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.*
2. *The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by the public Shareholders in the relevant period.*

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As illustrated in the table above, the average daily trading volume for the respective month/period, during the Review Period ranged from approximately 12,379 to 315,769 Shares, representing: (i) approximately 0.0018% to 0.0418% of the total number of issued Shares; and (ii) approximately 0.0029% to 0.0623% of the number of Shares held by the public Shareholders.

The average daily trading volume for the period from 8 April 2020 to the Last Trading Day was approximately 79,588 Shares, representing approximately 0.0157% of the Shares held by the public Shareholders. The highest daily trading volume was recorded on 17 February 2021, the trading volume reached approximately 3.5 million Shares, representing approximately 0.69% of the number of Shares held by the public Shareholders. However, we did not note any notable event which led to such high trading volume.

On the first trading day after the release of the Announcement (i.e. 9 April 2021), the daily trading volume of the Shares increased to approximately 178,000 Shares from 31,000 Shares as recorded on the Last Trading Day, representing approximately 0.0351% of the number of Shares held by public Shareholders. Such increase in trading volume of the Shares would have been the initial market reaction to the Announcement. Although the trading volume of the Shares was active on the first trading day after the release of the Announcement (i.e. 9 April 2021), the trading volume resumed to 31,000 Shares on the next trading day (i.e. 12 April 2021), representing approximately 0.0061% of the number of Shares held by public Shareholders. The average daily trading volume in April was approximately 97,459 Shares, representing: (i) approximately 0.0129% of the total number of issued Shares; and (ii) approximately 0.0192% of the number of Shares held by the public Shareholders.

Given that the generally very thin liquidity of the Shares during the Review Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Offer Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Share Offer provides the Offer Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of part or all of their Shares at the Share Offer Price if they wish to.

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C. Share Offer price comparisons

The Share Offer Price of HK\$2.23 per Offer Share represents:

- (i) a discount of approximately 3.04% to the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on 7 April 2021, being the Last Trading Day;
- (ii) a discount of approximately 3.04% to the average closing price of HK\$2.30 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 3.88% to the average closing price of HK\$2.32 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 5.11% to the average closing price of HK\$2.35 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 5.51% to the average closing price of HK\$2.36 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 1.33% to the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a premium of approximately 1.36% over the Subscription Price of HK\$2.20 per Share as set out in the Subscription Announcement;
- (viii) a premium of approximately 4.21% over the audited consolidated NAV attributable to the Shareholders per Share of approximately RMB1.77 as at 31 December 2020 (equivalent to approximately HK\$2.14), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB1,335,958,000 as at 31 December 2020 and 755,096,557 Shares in issue as at the Latest Practicable Date; and
- (ix) a discount of approximately 13.90% to the Adjusted NAV per Share of approximately RMB2.14 (equivalent to approximately HK\$2.59) calculated based on the Adjusted NAV of approximately RMB1,616.8 million (equivalent to approximately HK\$1,956.3 million) and 755,096,557 Shares in issue as at the Latest Practicable Date.

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As per the comparison made above, we note that although the Shares have traded slightly above the Share Offer Price most of the time before the Announcement, the Share Offer Price is at slight premiums of approximately 1.36% over the Subscription Price and approximately 4.21% over the NAV per Share respectively. It is however at a discount of approximately 13.90% to the Adjusted NAV per Share. Given that (i) most of the Property Revaluation Surplus, which shaped the Adjusted NAV, stemmed from the property interests owned by the Group as self-occupied production bases, and as advised by the Offeror, it does not intend to realise any significant property interests by way of any immediate disposal or liquidation as indicated in the paragraph headed “6. Information on the Offeror and the intention of the Offeror on the Group — B. Intention of the Offeror regarding the Group” below; and (ii) it is quite prevalent for Hong Kong listed companies to be trading at discounts to their respective NAVs where based on the data we extracted from Bloomberg and as at the Latest Practicable Date, more than half of Hong Kong listed companies traded at discounts to their respective NAVs while similarly as at the Last Trading Day, two of the Industry Comparable (as defined below) traded at discounts of more than 30.0% to their respective NAVs. We are of the view that the Share Offer Price’s discount of approximately 13.90% to the Adjusted NAV per Share ought not be a major factor of concern to the Offeror Shareholders.

In addition, given that (i) the equivalent figures for the Adjusted NAV are not available for the Industry Comparables (as defined below) as they are not subject to Takeovers Code transactions at the moment which would have required the preparation of valuation reports so we are unable to achieve a like-for-like comparison between the Adjusted NAV and the adjusted NAVs of the Industry Comparables; (ii) the fact that much like the Company, the share prices of the Industry Comparables (as defined below), on average, traded at or around their respective NAV per share, meaning that both the average price-to-book multiple (“**P/B Multiple(s)**”) of the Industry Comparables (as defined below) and P/B Multiple as implied by the Share Offer Price are more or less comparable (i.e. the relevant P/B Multiples are at or around 1.0 time, please refer to table 5 in this letter below for more details) hence these NAV-based valuation measures would offer minimal insights in discerning the relative attractiveness of the Share Offer Price; and (iii) the business nature of the Company, which is one that is profit-making, possesses stable revenue and strong brand equity and operates in a non-cyclical industry which made profit-based and revenue-based valuation measures more fitted for our analysis, we would therefore place less weight on analysing NAV-based valuation measures but more weight on analysing other valuation measures such as price-to-earnings multiple(s) (“**P/E Multiple(s)**”) and price-to-sales multiple(s) (“**P/S Multiple(s)**”) of the Industry Comparables (as defined below) rather than the Adjusted NAV. In the next section, we will examine these relevant valuation measures in more details.

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5. Industry Comparables

As mentioned under the section headed “1. Information on the Group” above, the Group is principally engaged in the manufacturing, distribution and sale of food and snack products in the PRC. In assessing the fairness and reasonableness of the Share Offer Price, we have identified comparable companies (the “**Industry Comparables**”) which are principally engaged in similar principal business activities as those of the Group (i.e. produce products that belong to the Snack Catalogue) with the following selection criteria:

- (i) listed on Main Board of the Stock Exchange;
- (ii) with over 50% of the latest reported annual revenue was generated from manufacture and/or distribution and sale of packaged products that belong to the Snack Catalogue with most of its revenue generated from the PRC;
- (iii) with market capitalisation of no more than HK\$5 billion; and
- (iv) the trading of their shares has not been suspended for more than three months.

The above selection criteria were adopted after taking into consideration that the revenue generated from the manufacture, distribution and sale of packaged food and snack products business accounted for the majority of the Group’s revenue for FY2019 and FY2020. As such, the Industry Comparables do bear significant resemblance with the principal business activities of the Company. Based on the above selection criteria, we have exhaustively identified six Industry Comparables.

For the selection of the valuation multiple, we have given regard to the fact that the Company has been consistently recording positive earnings for the three years ended 31 December 2020, therefore we first picked P/E Multiples for our analysis. However, we note that three out of six Industry Comparable were loss-making in the latest financial year. We have then supplemented the analysis with P/S Multiples on the bases that: (i) P/S Multiple is able to offer a broader and more inclusive comparison across the Industry Comparables; and (ii) given the fact that the Group has been experiencing declining profit in FY2020, P/S Multiple is able to provide an indication on the value that investors have placed on the Industry Comparables’ revenue instead of their profits relative to that of the Group. We have set out the P/B Multiples and dividend yields of the Industry Comparables for illustrative purposes.

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Set out below are six Industry Comparables together with the relevant market capitalisation, P/S Multiples, P/E Multiples, P/B Multiples and dividend yields:

Table 5: List of Industry Comparables

No.	Company (stock code)	Company descriptions	Market capitalisation (HK\$' million) (Note 1)	P/S Multiple (times) (Note 2)	P/E Multiple (times) (Note 3)	P/B Multiple (times) (Note 4)	Dividend yield (%) (Note 5)
1	Tianyun International Holdings Limited (6836)	The company operates as a producer of processed food. The company produces and sells processed fruit products. The company serves customers around the world.	1,583	1.5	8.8	1.3	Nil
2	Natural Food International Holding Limited (1837)	The company operates as a holding company. The company, through its subsidiaries, processes and sells natural health food products made of grains, beans, nuts, dried fruits, and other natural ingredients. The company serves customers in the PRC.	1,291	0.7	Not Applicable (Note 6)	1.0	Nil
3	Jiashili Group Limited (1285)	The company produces biscuits, crackers, sandwich biscuits and wafers in China.	747	0.4	4.3	0.7	2.8
4	Labixiaoxin Snacks Group Limited (1262)	The company is a snack food provider in the PRC, with a specialty in jelly products. The company offers a wide range of branded jelly products such as jelly snacks and jelly beverages as well as offers confectionery products.	398	0.6	Not Applicable (Note 6)	0.7	Nil
5	Jiujiuwang Food International Limited (1927)	The company operates as a confectionary products manufacturer. The company manufactures and sells gum-based candies, tablet candies, aerated candies, and hard candies. The company markets its products primarily throughout China.	352	0.7	6.6	1.1	Nil

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No.	Company (stock code)	Company descriptions	Market capitalisation (HK\$' million) (Note 1)	P/S Multiple (times) (Note 2)	P/E Multiple (times) (Note 3)	P/B Multiple (times) (Note 4)	Dividend yield (%) (Note 5)
6	Christine International Holdings Limited (1210)	The company operates a chain of retail bakeries. The company bakes and sells breads, cakes, moon cakes, pastries, and other products. The company operates neighbourhood, subway, flagship and European style bakery stores in Shanghai and Jiangsu and Zhejiang provinces.	161	0.3	Not Applicable (Note 6)	Not Applicable (Note 7)	Nil
		Maximum		1.5	8.8	1.3	2.8
		Minimum		0.3	4.3	0.7	Nil
		Average		0.7	6.6	1.0	0.5
		Median		0.7	6.6	1.0	Nil
	The Share Offer		1,684 (Note 8)	1.8 (Note 9)	78.7 (Note 10)	1.0 (Note 11)	Nil

Sources: Bloomberg and the website of the Stock Exchange

Notes:

- The market capitalisations on the Latest Practicable Date.
- P/S Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date by the revenue of the Industry Comparables as disclosed in the respective annual report for the latest financial year. For the above calculations, the figures of the revenue reported in RMB were converted into HK\$ at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People's Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date.
- P/E Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date by the net profit attributable to the shareholders of the Industry Comparables as disclosed in the respective annual report for the latest financial year. For the above calculations, the figures of the net profit attributable to the shareholders reported in RMB were converted into HK\$ at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People's Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date.
- P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date by the equity attributable to the shareholders of the Industry Comparables as disclosed in the respective annual report for the latest financial year. For the above calculations, the figures of the equity attributable to the shareholders reported in RMB were converted into HK\$ at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People's Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date.
- The dividend yields are calculated by dividing the respective ordinary dividend paid during the most recent full financial year by the relevant market capitalisation on the Latest Practicable Date.

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6. *The P/E Multiple of the relevant Industry Comparable is not applicable as it recorded a net loss attributable to the shareholders as disclosed in the respective annual report for the latest financial year.*
7. *The P/B Multiple of the relevant Industry Comparable is not applicable as it was in a net liability position as at 31 December 2020 as disclosed in the respective annual report for the latest financial year.*
8. *The implied market capitalisation of the Company (the “**Implied Market Value**”) under the Share Offer of approximately HK\$1,684 million is calculated by multiplying the Share Offer Price of HK\$2.23 per Offer Share and the number of issued Shares of 755,096,557 Shares as at the Latest Practicable Date.*
9. *The implied P/S Multiple of the Company under the Share Offer (the “**Implied P/S Multiple**”) of approximately 1.8 times is calculated by dividing the aforesaid Implied Market Value of approximately HK\$1,684.0 million by the revenue of approximately RMB792.8 million (equivalent to approximately HK\$959.3 million at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date).*
10. *The implied P/E Multiple of the Company under the Share Offer (the “**Implied P/E Multiple**”) of approximately 78.7 times is calculated by dividing the aforesaid Implied Market Value of approximately HK\$1,684.0 million by the net profit attributable to the Shareholders of approximately RMB17.7 million (equivalent to approximately HK\$21.4 million at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date).*
11. *The implied P/B Multiple of the Company under the Share Offer (the “**Implied P/B Multiple**”) of approximately 1.0 time is calculated by dividing the aforesaid Implied Market Value of approximately HK\$1,684.0 million by the equity attributable to the Shareholders of approximately RMB1,336.0 million (equivalent to approximately HK\$1,616.6 million at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date).*

As shown in the table above, P/S Multiples of the Industry Comparables ranged from approximately 0.3 time to approximately 1.5 times, with an average P/S Multiple of approximately 0.7 time and a median P/S Multiple of approximately 0.7 time. We note that the Implied P/S Multiple of approximately 1.8 times is significantly above the average and median P/S Multiples of the Industry Comparables.

As shown in the table above, P/E Multiples of the Industry Comparables ranged from approximately 4.3 times to approximately 8.8 times, with an average P/E Multiple of approximately 6.6 times and a median P/E Multiple of approximately 6.6 times. We note that the Implied P/E Multiple of approximately 78.7 times is significantly higher than the upper bound of the P/E Multiples of the Industry Comparables. Even if we were to adopt the historical earnings equivalent to the three-year average audited net profit attributable to the Shareholders for FY2018, FY2019 and FY2020 of approximately RMB43.9 million (equivalent to approximately HK\$53.1 million at the exchange rate of HK\$1.21 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at 4:00 p.m. on the Latest Practicable Date), the Implied P/E Multiple would have been 31.7 times, still significantly higher than the upper bound of the P/E Multiples of the Industry Comparables.

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For illustrative purpose, as shown in the table above, P/B Multiples of the Industry Comparables ranged from approximately 0.7 time to approximately 1.3 times, with an average P/B Multiple of approximately 1.0 time and a median P/B Multiple of approximately 1.0 time. We note that the Implied P/B Multiple of approximately 1.0 time is at par with the average and median P/B Multiples of the Industry Comparables. Even if we were to compare the Adjusted NAV per Share of HK\$2.59, the Implied P/B Multiple would have been 0.9 time, which is still close to both the average and median P/B Multiples of the Industry Comparables. Offer Shareholders should note however such comparison is just for illustrative purpose only as the NAVs of the Industry Comparables have not been revalued in the same way as the Adjusted NAV so the average and median P/B Multiples of the Industry Comparables may be lower than they currently suggest.

With respect to dividend pay-outs, the Board did not recommend any payment of dividends since its listing in 2016. Similarly, most of the Industry Comparables did not pay any dividend during their latest financial years. The Company's lack of regular dividend pay-outs, although mostly in line with practices adopted by the Industry Comparables, may not be favoured by those Offer Shareholders looking for a dividend yield.

Taking into account the fact that: (i) the Implied P/S Multiple of approximately 1.8 times significantly above the average and median P/S Multiples of the Industry Comparables; (ii) the Implied P/E Multiple of approximately 78.7 times is significantly higher than the upper bound of the P/E Multiples of the Industry Comparables; (iii) the Implied P/B Multiple of approximately 1.0 time is at par with the average and median P/B Multiples of the Industry Comparables; and (iv) the lack of regular dividend pay-outs of the Company, the Offer Shareholders appear to be getting the higher end of the valuation under the Share Offer Price as compared to the Industry Comparables.

6. Information on the Offeror and the intention of the Offeror on the Group

A. Information of the Offeror

As stated in the "Letter from Deloitte Corporate Finance", the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Mr. Hui CL. Mr. Hui CL is also currently an executive Director and Chairman of the Company, and a director of most of the Company's subsidiaries. He has been responsible for providing leadership, guidance and strategic advice on corporate development and investment of the Group. He has accumulated over 16 years of experience in the food and snacks business since he became a director of certain subsidiaries of the Company in April 2003.

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B. Intention of the Offeror regarding the Group

As set out in the “Letter from Deloitte Corporate Finance”, it is the intention of the Offeror and Mr. Hui CL that the Group’s existing principal activities will be maintained after the close of the Share Offer. Following the close of the Share Offer, the Offeror and Mr. Hui CL intend to continue to pursue and promote strategies to enhance future development of the Group and to create greater value for its shareholders.

Save as in connection with the intention of the Offeror and Mr. Hui CL regarding the Group as set out above, the Offeror and Mr. Hui CL have no plan or intention to (i) discontinue the employment of the existing management and employees of the Group; (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) materially change the Group’s existing business operation. The Board intends to cooperate with the Offeror and act in the best interests of the Company and its Shareholders as a whole.

C. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Share 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.

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

The Company and the Offeror consider that the appropriate actions to be taken after the close of the Share Offer shall include placing down of sufficient number of accepted Shares by the Offeror and/or issuance of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when appropriate in this regard.

OPINION AND RECOMMENDATION

In view of the above and having considered in particular that:

- (i) the recent three-year financial performance of the Group has been unstable with the most recent net profit declined significantly in FY2020, as witnessed by the significant decrease of net profit attributable to the Shareholders from RMB81.2 million in FY2019 to approximately RMB17.7 million in FY2020, which was largely attributable to the net loss of the e-commerce business;

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- (ii) despite the positive trends we saw in the Chinese snack industry under the section headed “3. Future prospects of the Group” above, the net loss of the e-commerce business and the fact that it has yet to attain economies of scale would cast uncertainty on the future prospects of the Group;
- (iii) notwithstanding the fact that the closing Share price traded slightly above the Share Offer Price of HK\$2.23 per Offer Share in most of the time during the Review Period (i.e. with an average of around HK\$2.34 per Share traded during the Review Period) and the Adjusted NAV per Share of HK\$2.59 is also slightly higher than the Share Offer Price, the Share Offer Price is at slight premiums of approximately 1.36% and 4.12% over the Subscription Price of HK\$2.20 per Share and the NAV per Share of HK\$2.14 respectively;
- (iv) the liquidity of the Shares was generally thin as discussed in the paragraph headed “4. Analysis of price performance and trading liquidity — B. Historical trading volume of the Shares” above. The disposal of the Shares in the open market may exert downward pressure on the market price of the Shares. The Share Offer therefore represents a good opportunity for the Offer Shareholders to dispose of their holding in the Shares at a fixed cash price without disturbing the market price;
- (v) the Implied P/S Multiple of approximately 1.8 times significantly above the average and median P/S Multiples of the Industry Comparables while the Implied P/E Multiple of approximately 78.7 times is significantly higher than the upper bound of the P/E Multiples of the Industry Comparables. Even if we were to adopt the historical earnings equivalent to the three-year average net profit attributable to the Shareholders for FY2018, FY2019 and FY2020, the Implied P/E Multiple would have been 31.7 times, still significantly higher than the upper bound of the P/E Multiples of the Industry Comparables. The Offer Shareholders appear to be getting the higher end of the valuation under the Share Offer Price as compared to the Industry Comparables;
- (vi) the Implied P/B Multiple of approximately 1.0 time is at par with the average and median P/B Multiples of the Industry Comparables; and
- (vii) the Company’s lack of regular dividend pay-outs, although mostly in line with practices adopted by the Industry Comparables, may not be favoured by those Offer Shareholders looking for a dividend yield,

we consider the terms of the Share Offer to be fair and reasonable so far as the Offer Shareholders are concerned. We, therefore, recommend the Independent Board Committee to recommend, and we ourselves recommend, the Offer Shareholders to accept the Share Offer.

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However, as the market price of the Shares has exceeded the Share Offer Price since the Announcement, closing at HK\$2.26 as at the Latest Practicable Date, it is advisable for the Offer Shareholders to consider selling their Shares in the open market if the market price of the Shares exceeds the Share Offer Price during the period when the Share Offer are open and the sales proceeds, net of transaction costs, from disposal of the Shares exceed the amount receivable under the Share Offer. The Offer Shareholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Shares in the market at prices higher than the Share Offer Price.

However, those Offer Shareholders who are attracted by or confident in the future prospects of the Group may consider to retain their Shares in full or in part.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

** For identification purpose only*

1. PROCEDURES FOR ACCEPTANCE OF THE SHARE OFFER

To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer. You should insert the total number of Shares for which the Share Offer is accepted. If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Share Offer and you have signed the form, the form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before the latest time for acceptance of the Share Offer. Your Shares sold to the Offeror by way of acceptance of the Share Offer will be registered under the name of the Offeror or its nominee.

By signing and returning the Form of Acceptance, you warrant to the Offeror, Deloitte Corporate Finance and the Company that you have not taken or omitted to take any action which will or may result in any members in the Offeror Concert Party Group, the Company, Deloitte Corporate Finance or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Share Offer or your acceptance thereof.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name and you wish to accept the Share Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in any event 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.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own and you wish to accept the Share Offer in full or in part, you must either:

- (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer to the Registrar; or

- (b) arrange for the Shares to be registered in your name by the Company, through the Registrar, and send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees. In order to meet the deadline set by HKSCC Nominees, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (d) if your Shares have been lodged with your Investor Participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System before the deadline set by HKSCC Nominees.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificates and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter.

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

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

An acceptance of the Share Offer may not be counted as valid unless:

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

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

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

2. SETTLEMENT

If you accept the Share Offer, settlement of the consideration (less seller's ad valorem stamp duty) will be made by cheque as soon as possible, but in any event within seven Business Days of the date of receipt of a complete and valid acceptance of the Share Offer, or of the date on which the Share Offer become or are declared unconditional in all respects, whichever is the later. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's Form of Acceptance at his/her own risk.

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

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

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Share Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.

If the Share Offer is extended, the announcement of such extension will state the next Closing Date or, if the Share Offer is at that time unconditional in all respects, a statement that the Share Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Share Offer is closed to those Offer Shareholders who have not accepted the Share Offer and an announcement must be published. If, in the course of the Share Offer, the Offeror revises the terms of the Share Offer, all Offer Shareholders, whether or not they have already accepted the Share Offer will be entitled to accept the revised Share Offer under the revised terms. The revised Share Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

4. ANNOUNCEMENTS

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

- (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer have been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror Concert Party Group before the Offer Period;
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror Concert Party Group; and
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) in which any member of the Offeror Concert Party Group have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

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

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

As required under the Takeovers Code, all announcements in relation to the Share Offer will be made in accordance with the requirements of the Listing Rules and Rule 19.1 of the Takeovers Code.

5. NOMINEE REGISTRATION

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

All documents and remittances sent to Shareholders by post will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to Shareholders at their addresses specified on the relevant Shareholder’s Form of Acceptance. None of the Offeror, the Company, Deloitte Corporate Finance, the Registrar or any of their respective directors or any other person involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

6. RIGHT OF WITHDRAWAL

The Share Offer is conditional upon fulfilment of the Conditions set out in the “Letter from Deloitte Corporate Finance” in this Composite Document. Acceptance of the Share Offer tendered by Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Share Offer shall be entitled to withdraw his/her acceptance within 21 days from the First Closing Date (being 11 June 2021) and if the Share Offer have not by then become unconditional as to acceptances. An acceptor of the Share Offer may withdraw his/her acceptance by lodging a notice in writing signed by the acceptor (or his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Share Offer set out in section 4 of this Appendix I, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

7. SHARES

Acceptance of the Share Offer by Offer Shareholders will be deemed to constitute a warranty by such person(s) to the Offeror that such Shares acquired under the Share Offer are sold or tendered by the Offer Shareholders free from all Third Party Rights and together with all rights accruing and attached to them on the date of this Composite Document or subsequently becoming attached to it, including the rights to receive all dividends and distributions declared, made or paid, on or after the date of this Composite Document.

8. HONG KONG STAMP DUTY

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue as defined under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Share Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Offer Shareholders who accepted the Share Offer. The Offeror will bear buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

9. GENERAL

- (a) All communications, notices, the Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from Shareholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, the Company, the Registrar or any of their respective directors or agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Share Offer is made will not invalidate the Share Offer in any way.
- (d) The Share Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong.

- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, the sole director of the Offeror, Deloitte Corporate Finance or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Share Offer.
- (f) The settlement of the consideration to which any Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.
- (g) Any Offer Shareholders accepting the Share 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.
- (h) In making their decision, Offer Shareholders must rely on their own examination of the Group and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Deloitte Corporate Finance, Asset Appraisal Limited or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (i) References to the Share Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (j) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer in Hong Kong and the operating rules of the Stock Exchange.
- (k) If the Share Offer is withdrawn or lapses, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event within ten (10) days thereof, post the Share certificate(s) lodged with the form(s) of acceptance and/or transfer receipts(s) and/or any other documents(s) of title to, or make such Share certificate(s) available for collection by, those Shareholders who have accepted the Share Offer.

1. FINANCIAL SUMMARY

The following summary financial information of the Group for each of the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 as extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

	Year ended 31 December		
	2018 (audited) <i>RMB'000</i>	2019 (audited) <i>RMB'000</i>	2020 (audited) <i>RMB'000</i>
Revenue	761,819	690,852	792,829
Gross Profit	232,501	244,494	251,122
Profit before income tax	39,031	104,355	25,724
Income tax expenses	(6,271)	(23,168)	(8,064)
Profit attributable to:			
— shareholders of the Company	32,760	81,187	17,660
— non-controlling interests	—	—	—
Other comprehensive income for the year	—	—	21,731
Total comprehensive income for the year attributable to:			
— shareholders of the Company	32,760	81,187	39,391
— non-controlling interests	—	—	—
Earnings per share (<i>RMB</i>)			
— Basic	0.058	0.125	0.026
— Diluted	0.058	0.125	0.026
Consolidated net asset value attributable to Shareholders	868,297	1,146,760	1,335,958

No dividend was recommended by the Board for the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

The auditor's reports issued by PricewaterhouseCoopers in respect of the Group's audited consolidated financial statements for each of the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 did not contain any modified opinion or emphasis of matter or material uncertainty related to going concern.

No items of any income or expense which were material was required to be disclosed in the consolidated financial statements of Group for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

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, the consolidated statements of changes in equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out from pages 58 to 119 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) which was published on 25 April 2019 on the websites of the Company (<http://www.fjqinqin.com/>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/lt20190425407.pdf>).

The 2019 Financial Statements are set out from pages 70 to 135 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) which was published on 28 April 2020 on the websites of the Company (<http://www.fjqinqin.com/>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800678.pdf>).

The 2020 Financial Statements are set out from pages 73 to 141 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) which was published on 31 March 2021 on the websites of the Company (<http://www.fjqinqin.com/>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0331/2021033100950.pdf>).

The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

As at 28 February 2021, the Group had total outstanding indebtedness of approximately RMB24 million comprising borrowings and lease liabilities. The following table sets forth the indebtedness of the Group as at the dates indicated:

	As at 28 February 2021 <i>RMB'000</i> (Unaudited)
Non-current liabilities	
Lease liabilities	6,280
Current liabilities	
Borrowings	18,000

Save as disclosed in the previous paragraph, the Group had no other debt securities authorised or otherwise created but unissued, loans, or other similar indebtedness, term loans, other borrowing or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees as at 28 February 2021.

4. MATERIAL CHANGE

The Directors confirm that, save and except as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up and up to the Latest Practicable Date:

Based on the review of the unaudited consolidated management accounts of the Company for the two months ended 28 February 2021, the construction-in-progress of the Group increased from approximately RMB231.5 million as at 31 December 2020 to approximately RMB316.5 million as at 28 February 2021, represented an increase of approximately RMB85.0 million or 36.7% which was mainly attributable to the construction work conducted on two new production bases in Shandong province and Sichuan province of the PRC.

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the properties held by the Group as at 28 February 2021.



Asset Appraisal Limited
中誠達資產評估顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道145號安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

21 May 2021

The Board of Directors
Qinqin Foodstuffs Group (Cayman) Company Limited
Unit 2601, 26th Floor
Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

Dear Sirs,

Re: Valuation of Properties situated in the People's Republic of China (the "PRC")

In accordance with the instructions from Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") to value the property interests (the "**Properties**") held by the Company or its subsidiaries (altogether referred to as the "**Group**"), we confirm that we have carried out inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 28 February 2021 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the Properties represents its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding title to the Properties. However, we have not verified ownership of the Properties (for which we have relied on the PRC Legal Opinion) and to ascertain any amendment which may not appear on the copies handed to us.

We are acting as the independent valuer and our role is to perform valuation of the Properties. For property title verification, the Company has engaged Global Law Office as PRC legal adviser, who has performed legal due diligence for the Properties and issued a written legal opinion on property title on 21 May 2021 (with relevant information updated as of the Latest Practicable Date) (the "**PRC Legal Opinion**"). Relevant disclosures on the PRC Legal Opinion has been made in this report.

VALUATION METHODOLOGY

Having considered the general and inherent characteristics of the buildings and structures of the Properties, they are a kind of purpose built large scale industrial complexes being occupied by single occupiers for manufacturing and storage purposes. No active re-sale or leasing market that providing vital inputs for valuation using market approach or income approach can be identified at their localities. Most of the users of this type of properties including the Group would normally acquire their properties by way of self-build projects involving purchase of land parcels and commissioning construction of buildings and structures to fit their requirements. Therefore, we have adopted the depreciated replacement cost (DRC) approach which is an application of the Cost Approach in valuing enbloc industrial complexes like the Properties of which the land parcels and all buildings and structures erected thereon are entirely held by the Group. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation costs and those public utilities connection charges to the Properties. The market value of the land use rights of the Properties has been determined from market-based evidences by analysing similar sales or offerings of comparable land parcels. The underlying theory of this basis is the Market Value of the appraised property should, at least, be equivalent to the replacement cost of the remaining service potential of the appraised property. In our opinion, the DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The valuation of these properties is on the assumption that they are subject to the test of adequate potential profitability of the business under the Hong Kong Accounting Standard 36 — Impairment of Assets having due regard to the values of the total assets employed and the nature of the operations. Such assumption was made in accordance with Rule 6.7.6 (5) of the HKIS valuation standards (2020 Edition) published by the Hong Kong Institute of Surveyors.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the Group by means of long term land use rights granted by the PRC Government, we have assumed that the Group has free and uninterrupted rights to use the Properties for the whole of the remaining term of land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in holding them. It is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the site areas and the floor areas shown on the documents and official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were last inspected on between 22 March 2021 and 28 March 2021 (the “**Inspection Dates**”) by Zhou Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. During the site inspection, we have ascertained the following matters of the Properties:

- The general environment and development conditions of the area in which the Properties are situated;
- the existing use(s) of the Properties;
- the occupancy of the Properties;
- the facilities provided by the Properties;
- the existence of any non-conformity use within the Properties;
- the repair and maintenance conditions of the Properties; and
- the existing of any closure order and resumption order affixed to the Properties.

As confirmed by the Company, there is no material physical change in all the Properties between the Valuation Date and the Inspection Dates. Given the nature of the Properties, we are of the view there should have no material physical change for the Properties over a period of less than 1 month. Hence, it will not have an impact on the property valuation.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from abnormal earth movement or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission; Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

Under the prevailing taxation laws and regulations of the PRC, the potential tax liabilities which would arise if the Properties were to be sold at the market value on the Valuation Date mainly include value added tax (5% of the capital gains for properties acquired before 30 April 2016 or 9% of the transaction amount for properties acquired after 30 April 2016), land appreciation tax (30% to 60% of the appreciated amount), corporate profit tax (with standard rate of 25%) and stamp duty (0.05% of the transaction amount). As confirmed by the Company, save for Property No. 1 which has been contracted in 2019 to be sold along with certain fixed assets thereof at an agreed consideration (instead of the market value on the Valuation Date), the Group has no intention to dispose of or transfer the Properties and the likelihood of any such potential tax liabilities be crystallized in the near future is very remote. As confirmed by the PRC legal adviser with details set out on page III-9, Property No. 1 has contracted to be sold to the local Government at a total consideration of RMB82,300,000. As agreed by both parties, completion shall take place when the construction and installation of the replacement production base (Property No. 8) within the same city are completed and the new principal production equipment is delivered to the new production base. According to the development plan of the Company, completion is expected to be taken place by the end of 2021. As estimated by the Company, the potential tax liabilities arising from the disposal of Property No. 1 at the contracted amount or at the amount of valuation is approximately RMB19,006,000 and RMB14,785,000 respectively.

All market values of the Properties are denominated in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties, ports and logistics facilities in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 28 February 2021 RMB	Interest attributable to the Company as at 28 February 2021 %	Value of property interest attributable to the Company as at 28 February 2021 RMB
Group I — Property interests held by the Group for sale			
1. Production base at the junction of Xin Cheng Boulevard and Fang Zhi Boulevard Xian Tao Industrial Park Xian Tao City Hubei Province, the PRC (湖北省仙桃市仙桃市工業園新城大道及 紡織大道交界)	51,590,000	100%	51,590,000
Subtotal:	51,590,000		51,590,000
Group II — Property interests held by the Group for owner occupation			
2. Production base at the junction of Ying Chuan Boulevard and Jing San Road Lin Ying County, Luo He City Henan Province, the PRC (中國河南省漯河市臨潁縣潁川大道及 經三路交界)	152,650,000	100%	152,650,000
3. Production base at No. 27 Yuan Dong Road An Dong Yuan Jinjiang Economic Development Zone Quanzhou City Fujian Province, the PRC (福建省泉州市晉江經濟開發區 安東園東路27號)	107,500,000	100%	107,500,000
4. Production base at No. 29 Zhong Yuan Road Jinjiang City, Fujian Province, the PRC (福建省晉江市中源路29號)	119,980,000	100%	119,980,000
5. Production base at No. 6 Xiao De Road Xiao Nan District, Xiao Gan City Hubei Province, the PRC (湖北省孝感市孝南區孝德路6號)	98,730,000	100%	98,730,000
6. Production base at No. 72 Shun Fu Road Li Shi Street Development Zone Wang Hua District, Fu Shun City Liaoning Province, the PRC (遼寧省撫順市望花區李石街道開發區 順富路72號)	46,100,000	100%	46,100,000
Subtotal:	524,960,000		524,960,000

Property	Market value in existing state as at 28 February 2021 <i>RMB</i>	Interest attributable to the Company as at 28 February 2021 %	Value of property interest attributable to the Company as at 28 February 2021 <i>RMB</i>
Group III — Property interests held by the Group under development			
7. Production base at No. 2 Chuang Ye Road Dong Po District, Mei Shan City Sichuan Province, the PRC (四川省眉山市東坡區創業路2號)	49,900,000	100%	49,900,000
8. Production base at the junction of Xian Hong Highway and Yang Gang Boulevard Xian Tao Industrial Park Xian Tao City Hubei Province, the PRC (湖北省仙桃市仙桃市工業園仙洪公路及 揚崗大道交界)	23,430,000	100%	23,430,000
9. Production base at Quan Xing Road Si Shui County, Jining City Shandong Province, the PRC (山東省濟寧市泗水縣泉興路)	174,800,000	100%	174,800,000
Subtotal:	248,130,000		248,130,000
Group IV — Property interests held by the Group for future development			
10. A land parcel situated at the junction of Da Zhi Road and Fu Xing Boulevard Xiao Gan City Hubei Province, the PRC (湖北省孝感市大智路及復興大道交界)	18,650,000	100%	18,650,000
Subtotal:	18,650,000		18,650,000
Grand Total:	843,330,000		843,330,000

VALUATION CERTIFICATE

Group I — Property interests held by the Group for sale

Property No. 1	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
<p>Production base at the junction of Xin Cheng Boulevard and Fang Zhi Boulevard</p> <p>Xian Tao Industrial Park Xian Tao City Hubei Province, the PRC (湖北省仙桃市仙桃市工業園新城大道及紡織大道交界)</p>	<p>The Property is occupying two contiguous land parcels with a total area of 56,647.56 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 3 kilometres at the south-west of the downtown of Xian Tao City. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>The subject land parcels are developed with 3 blocks of single-storey workshop building, a 2-storey workshop building, a 3-storey office building, a 2-storey warehouse building, 2 blocks of single-storey warehouse building, a 2-storey dormitory building, a single-storey dormitory building, a single-storey boiler room, a single-storey refuse room. The total gross floor area of the aforesaid buildings is 34,968.28 square metres. They were completed in between 2002 and 2012. In addition to the aforesaid major buildings, such land improvement works as boundary walls, parking space sheds, waste water treatment plant, water tanks, main gate guard house, loading and unloading bay, shower room and heat exchange room are found within the Property.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on between 25 July 2053 and 8 December 2056 for industrial use.</p>	<p>The Property has been occupied and operated by the Group as the production base of foodstuffs.</p>	<p>51,590,000 (see note 12 below)</p>

Notes:

1. As revealed from a Land Use Right Certificate (Ref No. Xian Guo Yong (2004) No. 1349) issued by the Municipal Government of Xian Tao City of Xian Tao City on 13 May 2004, land use rights of a portion of the subject site with an area of 47,141.07 square metres are held by Xiantao QinQin Food Industry Co., Ltd. (仙桃親親食品工業有限公司, a wholly-owned subsidiary of the Company) for a term expiring on 25 July 2053 for industrial use.
2. As revealed from another Land Use Right Certificate (Ref No. Xian Guo Yong (2006) No. 2841) issued by the Municipal Government of Xian Tao City on 30 December 2006, land use rights of the remaining portion of the subject site with an area of 9,506.49 square metres are held by Xiantao QinQin Food Industry Co., Ltd. for a term expiring on 8 December 2056 for industrial use.
3. As revealed from the Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200502763) issued by the Xian Tao Building and Land Administrative Bureau (仙桃市房地產管理局), one of the 3 single-storey workshop buildings (Block No. 1) with a gross floor area of 8,684.69 square metres is held by Xiantao QinQin Food Industry Co., Ltd.
4. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200502777) issued by the Xian Tao Building and Land Administrative Bureau, one of the 3 single-storey workshop buildings (Block No. 2) with a gross floor area of 7,496.99 square metres is held by Xiantao QinQin Food Industry Co., Ltd.
5. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200803068) issued by the Xian Tao Building and Land Administrative Bureau, the 2-storey workshop building (New Fruit Jelly Workshop) with a gross floor area of 5,363.34 square metres is held by Xiantao QinQin Food Industry Co., Ltd.
6. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200502773) issued by the Xian Tao Building and Land Administrative Bureau, the 3-storey office workshop building with a gross floor area of 2,980.77 square metres is held by Xiantao QinQin Food Industry Co., Ltd.
7. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200805590) issued by the Xian Tao Building and Land Administrative Bureau, one of the 2 single-storey warehouse buildings with a gross floor area of 992.24 square metres is held by Xiantao QinQin Food Industry Co., Ltd.
8. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200502775) issued by the Xian Tao Building and Land Administrative Bureau, the 2-storey dormitory building with a gross floor area of 1,683.30 square metres is held by Xiantao QinQin Food Industry Co., Ltd. An additional floor level with a gross floor area of 1,143.94 square metres has been built on top of dormitory building to which Building Ownership Certificate has yet to be issued.
9. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200502776) issued by the Xian Tao Building and Land Administrative Bureau, the single-storey dormitory building with a gross floor area of 516.88 square metres is held by Xiantao QinQin Food Industry Co., Ltd.

10. As revealed from another Building Ownership Certificate (Ref: Xian Tao Shi Fang Quan Zheng Fang Zhi Gong Ye Yuan Zhi No. CDJ200502774) issued by the Xian Tao Building and Land Administrative Bureau, the single-level boiler room with a gross floor area of 248.76 square metres is held by Xiantao QinQin Food Industry Co., Ltd.
11. Building Ownership Certificate for the 2-storey warehouse building with a gross floor area of 4,493.69 square metres, one of the 2 single-storey warehouse (Metal Warehouse) with a gross floor area of 236.78 square metres, one of the 3 single-storey workshop buildings (Fruit Jelly Powder Workshop) with a gross floor area of 564.80 square metres and the single-level refuse room with a gross floor area of 562.10 has yet to be issued. The buildings with missing title certificate as mentioned in note nos. 8 & 11 have been valued by the valuer on replacement cost basis without any valuation adjustment. All these buildings have been acquired by the local Government which is fully aware that they have been transacted in the absence of title certificate. Hence, no valuation adjustment has been made by the jointly appointed local valuer in determining the consideration for the transaction.
12. Pursuant to the Land and Building Acquisition Agreement entered into between Xian Tao Land Reserve Centre (仙桃市土地儲備中心, Party A) and Xiantao QinQin Food Industry Co., Ltd. (Party B) on 29 November 2019, Party B agreed to transfer the Property to Party A at a consideration of RMB82,300,000 of which 25% of the sale proceeds is payable by Party A to Party B within 30 days from the agreement date i.e. 29 November 2019; another 30% of the sale proceeds is payable when the construction of the new production base of Party B (namely Property No. 8 of this report) is 33.33% completed; another 35% sales proceeds is payable when all superstructure construction works of the new production base are completed and the balance payment is payable within 10 business days when the principal production equipment is delivered to the new production base. As confirmed by the Group, in addition to the Property, the subject matters being transferred include 133 items of electronic equipment and 327 items of mechanical equipment as set out in the asset valuation report prepared by an independent valuer in the PRC. As revealed from the aforesaid asset valuation report, out of the total asset value of RMB82,300,000, approximately RMB68,170,000 as determined using depreciated replacement cost approach is attributable to the Property. The transaction is expected to be completed by end of this year.
13. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 13.1 Xiantao QinQin Food Industry Co., Ltd. has legally secured the land use rights and building ownership rights as specified in the 2 sets of Land Use Right Certificates and 8 sets of Building Ownership Certificate as mentioned in note 1 to 10 above and has the rights to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.
 - 13.2 Pursuant to the Land Acquisition Agreement (土地收儲協議) entered into between the Municipal Government of Xian Tao City and Xiantao QinQin Food Industry Co., Ltd. and the Land and Land Improvement Acquisition Agreement (土地及地上建(構)著物收購合同) entered into between the Xiantao City Land Reserve Centre (仙桃市土地儲備中心) and Xiantao QinQin Food Industry Co., Ltd., the Xiantao City Land Reserve Centre has agreed to acquire the property from Xiantao QinQin Food Industry Co., Ltd. at a consideration of RMB82,300,000. Such sale proceeds should be used by the vendor for setting up a new production base within Xian Tao Industrial Park. The handover of the property from Xiantao QinQin Food Industry Co., Ltd. to the Xiantao City Land Reserve shall be proceeded within 10 business days when the new production base is completed and being run in normal operations for 6 months. The asset items considered by both parties for fixing the amount of consideration comprise the subject land parcels, all land improvement works (including those buildings without Building Ownership Certificate), ancillary facilities, electronic equipment and mechanical equipment.
 - 13.3 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for self occupation

Property No. 2	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 RMB
<p>Production base at the junction of Ying Chuan Boulevard and Jing San Road Lin Ying County Luo He City Henan Province the PRC (中國河南省漯河市臨潁縣潁川大道及經三路交界)</p>	<p>The Property is occupying two contiguous land parcels with a total area of 144,757.10 square metres.</p> <p>The Property is located approximately 30 kilometres at the north of the downtown of Luo He City. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>The subject land parcels are partially developed with 6 blocks of 2-storey workshop building, a 2-storey office/warehouse combo building, a 2-storey warehouse building, a single-storey warehouse building, 2 blocks of 6-storey dormitory buildings, a 2-level air compressor room, a 2-level transformer room, a single-storey boiler room, a single-storey waste water treatment plant room, and 2 single-storey guard houses. The total gross floor area of the aforesaid buildings is 87,872.11 square metres. They were completed in between 2012 and 2020. In addition to the aforesaid major buildings, such land improvement works as boundary walls, parking space sheds, cold storage chambers, refuse room, fire water tanks and basket ball court are found within the Property. The undeveloped land portion of the Property is reserved for future expansion.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on between 7 September 2060 and 18 October 2063 for industrial use.</p>	<p>The Property has been occupied and operated by the Group as the production base of foodstuffs.</p>	152,650,000

Notes:

1. As revealed from the Land Use Right Certificate (Ref: Lin Guo Yong (2010) No. 000177) issued by the Municipal Government of Lin Ying County on 3 November 2010, land use rights of a portion of the subject site with an area of 127,703.10 square metres are held by Luohe Linying QinQin Food Industry Co., Ltd. (漯河臨穎親親食品工業有限公司, a wholly-owned subsidiary of the Company) for a term expiring on 7 September 2060 for industrial use.
2. As revealed from another Land Use Right Certificate (Ref: Lin Guo Yong (2014) No. 0035) issued by the Municipal Government of Lin Ying County in May 2014, land use rights of the remaining portion of the subject site with an area of 17,054.00 square metres are held by Luohe Linying QinQin Food Industry Co., Ltd. for a term expiring on 18 October 2063 for industrial use.
3. As revealed from the Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160115009) issued by the Lin Ying County Building Administrative Bureau (臨穎縣房產管理局), one of the six 2-storey workshop buildings (Block No. 1) with a gross floor area of 9,349.6 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
4. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160115011) issued by the Lin Ying County Building Administrative Bureau, one of the six 2-storey workshop buildings (Block No. 2) with a gross floor area of 9,591.4 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
5. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160115008) issued by the Lin Ying County Building Administrative Bureau, one of the six 2-storey workshop buildings (Block No. 3) with a gross floor area of 9,591.4 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
6. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160115010) issued by the Lin Ying County Building Administrative Bureau, one of the six 2-storey workshop buildings (Block No. 4) with a gross floor area of 9,591.4 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
7. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160429005) issued by the Lin Ying County Building Administrative Bureau, one of the six 2-storey workshop buildings (Block No. 7) with a gross floor area of 9,591.4 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
8. As revealed from another two sets of Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi Nos. 3160115005 and 3160115006) issued by the Lin Ying County Building Administrative Bureau, the 2-story office/warehouse combo building with respective gross floor areas of 2,169.12 for office use and 1,948.80 for storage use is held by Luohe Linying QinQin Food Industry Co., Ltd.
9. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160429009) issued by the Lin Ying County Building Administrative Bureau, the single-storey warehouse building (South Store Room) with a gross floor area of 458.16 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
10. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160115007) issued by the Lin Ying County Building Administrative Bureau, the two 6-storey dormitory buildings with a total gross floor area of 14,113.26 square metres are held by Luohe Linying QinQin Food Industry Co., Ltd.

11. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160429007) issued by the Lin Ying County Building Administrative Bureau, the 2-level air compressor room with a gross floor area of 872.41 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
12. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160429010) issued by the Lin Ying County Building Administrative Bureau, the 2-level transformer room with a gross floor area of 481.60 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
13. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160429006) issued by the Lin Ying County Building Administrative Bureau, the single-storey boiler room with a gross floor area of 362.10 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd..
14. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160518003) issued by the Lin Ying County Building Administrative Bureau, the single-storey waste water treatment plant room with a gross floor area of 125.00 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
15. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160429008) issued by the Lin Ying County Building Administrative Bureau, the single-storey guard house (West Main Gate Guard House) with a gross floor area of 89.28 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
16. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Lin Ying Xian Zhi No. 3160518002) issued by the Lin Ying County Building Administrative Bureau, the single-storey guard house (South Main Gate Guard House) with a gross floor area of 90.75 square metres is held by Luohe Linying QinQin Food Industry Co., Ltd.
17. Building Ownership Certificate for the 2-storey warehouse building (Block No. 6) with a gross floor area of 9,671.34 square metres has yet to be issued. Luohe Linying QinQin Food Industry Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. J2019-018) and Construction Work Permit (建築工程施工許可證, Ref No. 4111221908190101-SX-001) for the construction of the warehouse building on the subject land parcels. Our valuation of the building has been made on the basis that Luohe Linying QinQin Food Industry Co., Ltd. shall have no legal and administrative impediment in obtaining Building Ownership Certificate for the building.
18. Building Ownership Certificate for one of six 2-storey workshop buildings (Block No. 5) with a gross floor area of 9,775.09 square metres has yet to be issued. Luohe Linying QinQin Food Industry Co., Ltd. has obtained Construction Work Planning Permit (Ref Jian Zhi No. J2020-011) and Construction Work Permit (Ref No. 4111222005150101-SX-001) for the construction of the workshop building on the subject land parcels. Our valuation of the building has been made on the basis that Luohe Linying QinQin Food Industry Co., Ltd. shall have no legal and administrative impediment in obtaining Building Ownership Certificate for the building.
19. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 19.1 Luohe Linying QinQin Food Industry Co., Ltd. has legally secured the land use rights and building ownership rights as in the 2 sets of Land Use Right Certificates and 14 sets of Building Ownership Certificate as mentioned in note 1 to 16 above and has the rights to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.

- 19.2 For the 2-storey warehouse building (Block No. 6) and the 2-storey workshop buildings (Block No. 5) to which Building Ownership Certificate has yet to be issued, Luohe Linying QinQin Food Industry Co., Ltd. has been issued with the following approvals and documents for their construction:
- 19.2.1 Henan Business Entity Investment Project Application Filing Certificate (河南省企業投資項目備案證明) (Project Code : 2019-411122-14-03-026580) issued by the Linying County Industrial Cluster Area Construction and Administrative Committee (臨潁縣產業集聚區建設管理委員會) on 6 June 2019 in relation to the 2-storey warehouse building (Block No. 6) with a gross floor area of 9,671.34 square metres;
- 19.2.2 Henan Business Entity Investment Project Application Filing Certificate (Project Code : 2020-411122-14-03-026703) issued by the Linying County Industrial Cluster Area Construction and Administrative Committee on 14 April 2020 in relation to the 2-storey workshop building (Block No. 5) with a gross floor area of 9,775.09 square metres;
- 19.2.3 Construction Project Environmental Impact Registration Form (建設項目環境影響登記表) dated 26 August 2019 has been filed for the 2-storey warehouse building (Block No. 6) (Filing Record No. 201941112200000130) with a gross floor area of 9,671.34 square metres;
- 19.2.4 Construction Project Environmental Impact Registration Form dated 11 May 2020 has been filed for the 2-storey workshop building (Block No. 5) (Filing Record No. 202041112200000084) with a gross floor area of 9,775.09 square metres;
- 19.2.5 Review Comments on Construction Project Fire System Design (建設工程消防設計審查意見書, Ref Lin Jian Xiao Shen Zhi [2020] No. 0007) issued by the Linying County Housing, Town and Rural Construction Bureau on 12 May 2020 by virtue of which the fire system design of the 2-storey workshop buildings (Block No. 5) has been approved;
- 19.2.6 As confirmed by Luohe Linying QinQin Food Industry Co., Ltd., it has consulted with the Linying County Housing, Urban and Rural Construction Bureau over the issue of fire system design review for the 2-storey warehouse building (Block No. 6) and has verbal confirmation that no review process for the fire system design is necessary. On 7 August 2019, Luohe Linying QinQin Food Industry Co., Ltd handed a written submission to the same bureau to reiterate that fire system design review process for the construction of the 2-storey warehouse building (Block No. 6) with a gross floor area of 9,671.34 square metres is not necessary. On 14 April 2021, Luohe Linying QinQin Food Industry Co., Ltd. has filed the Report on Fire System Construction Completion Inspection and Testing Acceptance jointly performed by the contracting unit, construction unit, work supervision unit, design unit, fire system installation unit and fire system technical service unit (all of them are recognized by the local Government as qualified units to participate and undertake this kind of fire system testing works) for Block No. 6 to the Linying County Housing, Urban and Rural Construction Bureau and the acknowledgement of receipt of the said report which indicated passing of the aforementioned completion inspection and acceptance test was issued by the said bureau to Luohe Linying QinQin Food Industry Co., Ltd. on 11 May 2021.
- 19.2.7 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. J2019-018) dated 2 July 2019 and Construction Work Permit (建築設工程施工許可證, Ref No. 4111221908190101-SX-001) dated 19 August 2019 in relation to the 2-storey warehouse building (Block No. 6) with a gross floor area of 9,671.34 square metres;
- 19.2.8 Construction Work Planning Permit (Ref Jian Zhi No. J2020-011) dated 29 April 2020 and Construction Work Permit (Ref No. 4111222005150101-SX-001) dated 15 May 2020 in relation to the 2-storey workshop building (Block No. 5) with a gross floor area of 9,775.09 square metres; and

- 19.2.9 As confirmed by the Company, the construction work completion inspection and acceptance testing for the entire buildings of the 2-storey warehouse building (Block No. 6) and the 2-storey workshop building (Block No. 5) was underway as at the date of the Legal Opinion.
- 19.3 Upon completing construction work completion inspection and acceptance testing for both of the 2-storey warehouse building (Block No. 6) and the 2-storey workshop building (Block No. 5) as mentioned in note 19.2.9 above, Luohe Linying QinQin Food Industry Co., Ltd. shall have no legal impediment in obtaining Real Estate Right Certificate for them.
- 19.4 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.
20. As expected by the Company and based on previous experience of the Company, it will take around 3 to 6 months for completing the relevant application procedures as mentioned in note 19.3 above. Based on the advice provided by the PRC Legal Adviser, the Company does not anticipate any difficulty in going through and completing those application procedures.
21. Block No. 5 and 6 have obtained planning consent, have been built in accordance with the consent conditions and are being occupied by the Group for its normal course of operations. It is further confirmed by the PRC legal adviser that the Group shall have no legal impediment in obtaining Real Estate Right Certificate for them. Hence, they have been valued on replacement cost approach without valuation adjustment.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for self occupation

Property No. 3	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
<p>Production base at No. 27 Yuan Dong Road An Dong Yuan Jinjiang Economic Development Zone Quanzhou City Fujian Province, the PRC (福建省泉州市晉江經濟開發區安東園東路27號)</p>	<p>The Property is occupying a land parcel with an area of 56,168 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 10 kilometres at the south-west of the downtown of Jinjiang City. Immediate locality of the Property is generally industrial in nature where factory complexes engaging in paper production, textile, leather production, dyeing and electroplating are found.</p> <p>The subject land parcel is partially developed with 3 blocks of 3-storey workshop building, a 4-storey workshop building, a 6-storey dormitory building and a single-storey guard house. The total gross floor area of the aforesaid buildings is 57,051.68 square metres. They were completed in 2012. In addition to the aforesaid major buildings, such land improvement works as boundary walls, parking space sheds, waste water treatment plant, water tanks and refuse room are found within the Property. The undeveloped land portion of the Property is reserved for future expansion.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 20 April 2068 for industrial use.</p>	<p>The Property has been occupied and operated by the Group as the production base of foodstuffs.</p>	<p>107,500,000</p>

Notes:

1. As revealed from the Real Estate Right Certificate (Ref No. Min (2018) Jin Jiang Shi Bu Dong Chan Quan No. 0029947) issued by the Jinjiang City State Land Resource Administrative Bureau on 11 July 2018, the land use rights of the subject land parcel with an area of 56,168 square metres and building ownership rights of all the subject buildings with a total gross floor area of 56,168 square metres are held by Quanzhou QinQin Foodstuff Co, Ltd. (泉州親親食品有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 20 April 2068.
2. As revealed from the Agreement for State Owned Land Use Right Grant entered into between the Jinjiang Land Administrative Bureau (the Grantor) and Quanzhou QinQin Foodstuff Co, Ltd. (the Grantee) on 16 March 2018, the land use rights of the aforesaid land portion of the subject land parcels with an area of 56,168 square metres were granted by the Grantor to the Grantee for a term of 50 years at a consideration of RMB24,210,000 which have been settled in full by the Grantee
3. As revealed in the aforesaid Real Estate Right Certificate, the subject buildings with a total gross floor area of 57,051.68 square metres comprise the followings:
 - 3-storey workshop building (Block No. 1) with a gross floor area of 11,327.26 square metres;
 - 3-storey workshop building (Block No. 2) with a gross floor area of 12,547.94 square metres;
 - 4-storey workshop building (Block No. 3) with a gross floor area of 12,601.09 square metres;
 - 3-storey workshop building (Block No. 4) with a gross floor area of 14,831.76 square metres;
 - 6-storey dormitory building with a gross floor area of 5,685.16 square metres; and
 - Single storey guard house with a gross floor area of 58.47 square metres.
4. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 4.1 Quanzhou QinQin Foodstuff Co, Ltd. has legally secured the land use rights and building ownership rights for the property and has the rights to legally occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.
 - 4.2 As confirmed by the Company., the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for self occupation

Property No. 4	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 RMB
Production base at No. 29 Zhong Yuan Road Jinjiang City Fujian Province, the PRC (福建省晉江市中源路29號)	<p>The Property is occupying a land parcel with an area of 67,023 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 5 kilometres at the south-west of the downtown of Jinjiang City. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>The subject land parcel is developed with 4 blocks of 2-storey workshop building, a 6-storey workshop building, a 6-storey dormitory/canteen building, a 7-storey dormitory building, a 6-storey office building and a single-level boiler house. The total gross floor area of the aforesaid buildings is 60,189.42 square metres. They were completed in between 2000 and 2021. In addition to the aforesaid major buildings, such land improvement works as boundary walls, natural gas boiler room, waste water treatment plant, cold storage chamber, fresh keeping chamber and refuse room are found within the Property.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 24 October 2050 for industrial use.</p>	The Property has been occupied and operated by the Group as the production base of foodstuffs.	119,980,000

Notes:

1. As revealed from the Real Estate Right Certificate (Ref No. Min (2020) Jin Jiang Shi Bu Dong Chan Quan No. 0037247) issued by the Jinjiang City State Land Resource Administrative Bureau on 13 August 2020, the land use rights of a portion of the subject land with an area of 13,365 square metres and building ownership rights of one of the four 2-storey workshop buildings (Fruit Jelly Workshop Block Nos. 3 and 4) of the Property with a gross floor area of 16,639.66 square metres are held by Fujian QinQin Holdings Co, Ltd. (福建親親股份有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 24 October 2050.
2. As revealed from the Real Estate Right Certificate (Ref No. Min (2020) Jin Jiang Shi Bu Dong Chan Quan No. 0037245) issued by the Jinjiang City State Land Resource Administrative Bureau on 13 August 2020, the land use rights of another portion of the subject land with an area of 18,893 square metres and building ownership rights of one of the four 2-storey workshop buildings (Workshop Block No. 1) with a gross floor area of 11,660.26 square metres and the single-level boiler room with a gross floor area of 635.79 square metres of the Property are held by Fujian QinQin Holdings Co, Ltd. for industrial use for a term expiring on 24 October 2050.
3. As revealed from the Real Estate Right Certificate (Ref No. Min (2020) Jin Jiang Shi Bu Dong Chan Quan No. 0037155) issued by the Jinjiang City State Land Resource Administrative Bureau on 13 August 2020, the land use rights of another portion of the subject land with an area of 19,965 square metres and building ownership rights of one of the four 2-storey workshop buildings (Workshop Block No. 2) with a gross floor area of 3,552.66 square metres and the 6-storey dormitory/canteen building with a gross floor area of 3,460.18 square metres of the Property are held by Fujian QinQin Holdings Co, Ltd. for industrial use for a term expiring on 24 October 2050.
4. As revealed from the Real Estate Right Certificate (Ref No. Min (2020) Jin Jiang Shi Bu Dong Chan Quan No. 0037154) issued by the Jinjiang City State Land Resource Administrative Bureau on 13 August 2020, the land use rights of another portion of the subject land with an area of 7,847 square metres and building ownership rights of the 6-storey workshop buildings (Block No. 2) with a gross floor area of 7,888.80 square metres and one of the four 2-storey workshop building (Project O Workshop) with a gross floor area of 6,624.98 square metres of the Property are held by Fujian QinQin Holdings Co, Ltd. for industrial use for a term expiring on 24 October 2050.
5. As revealed from the Real Estate Right Certificate (Ref No. Min (2020) Jin Jiang Shi Bu Dong Chan Quan No. 0037153) issued by the Jinjiang City State Land Resource Administrative Bureau on 13 August 2020, the land use rights of the remaining portion of the subject land with an area of 6,953 square metres are held by Fujian QinQin Holdings Co, Ltd. for industrial use for a term expiring on 24 October 2050.
6. Real Estate Right Certificate for the 7-storey dormitory building with a gross floor area of 3,164.28 square metres has yet to be issued. Fujian QinQin Holdings Co, Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi Di Jin Gui Zhi No. 3010964) and Construction Work Permit (建築設工程施工許可證, Ref No. 350582201902130101) for the construction of the dormitory building on the subject land parcel. Our valuation of the building has been made on the basis that Fujian QinQin Holdings Co, Ltd. shall have no legal and administrative impediment in obtaining Real Estate Right Certificate for the building.
7. Real Estate Right Certificate for the 6-storey office building with a gross floor area of 6,562.81 square metres has yet to be issued. Fujian QinQin Holdings Co, Ltd. has obtained Construction Work Planning Permit (Ref Jian Zhi No. GJJ012019107) and Construction Work Permit (Ref No. 350582201909060301) for the construction of the office building on the subject land parcel. Our valuation of the building has been made on the basis that Fujian QinQin Holdings Co, Ltd. shall have no legal and administrative impediment in obtaining Real Estate Right Certificate for the building.
8. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 8.1 Fujian QinQin Holdings Co, Ltd. has legally secured the land use rights and building ownership rights for the property specified in the 5 sets of Real Estate Right Certificate as mentioned in note 1 to 5 above and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the same property interests by legal means.

- 8.2 For the 7-storey dormitory building and 6-storey office building to which Real Estate Right Certificate has yet to be issued, Fujian QinQin Holdings Co, Ltd. has been issued with the following approvals and documents for their construction:
- 8.2.1 Fujian Business Entity Investment Project Application Filing Certificate (Foreign Business Entity) (福建省企業投資項目備案證明(外資企業), Ref Min Fa Gai Wai Bei [2018] No. C050073) issued by the Jinjiang City Development and Reform Bureau on 22 November 2018 in relation to the 7-storey dormitory building;
- 8.2.2 Fujian Business Entity Investment Project Application Filing Certificate (Foreign Business Entity) (Ref Min Fa Gai Wai Bei [2019] No. C050017) issued by the Jinjiang City Development and Reform Bureau on 11 April 2019 in relation to the 6-storey office building;
- 8.2.3 Construction Work Planning Permit (Ref Jian Zhi Di Jin Gui Zhi No. 3010964) dated 2 January 2019 in relation to the 7-storey dormitory building with a gross floor area of 3,164.28 square metres and Construction Work Planning Permit (Ref Jian Zhi No. GJJ012019107) dated 17 June 2019 in relation to the 6-storey dormitory building with a gross floor area of 6,562.81 square metres;
- 8.2.4 Construction Work Permit (Ref No. 350582201902130101) dated 13 February 2019 in relation to the 7-storey dormitory building with a gross floor area of 3,164.28 square metres and Construction Work Permit (Ref No. 350582201909060301) dated 6 September 2019 in relation to the 6-storey office building with a gross floor area of 6,562.81 square metres;
- 8.2.5 Review Comments on Construction Project Fire System Design (建設工程消防設計審查意見書, Ref Jin Gong Xiao Shen Zhi [2019] No. 0009) issued by the Jinjiang City Public Security and Fire Brigade (晉江市公安消防大隊) on 24 November 2019 in relation to the 7-storey dormitory building;
- 8.3 As confirmed by the Company, construction work completion inspection and acceptance testing has yet to be proceeded for the 7-storey dormitory building and the 6-storey office building as at the date of the PRC Legal Opinion.
- 8.4 Upon completing the construction work completion inspection and acceptance testing for the 7-storey dormitory building and the 6-storey office building, Fujian QinQin Holdings Co, Ltd. shall have no legal impediment in obtaining Real Estate Right Certificate for them.
- 8.5 A portion of the Land and Property as specified in the Real Estate Right Certificate (Ref No. Min (2020) Jin Jiang Shi Bu Dong Chan Quan No. 0037154) is subject to the Maximum Mortgage Agreement entered into between Fujian QinQin and China Construction Bank Corporation Jinjiang Branch on 19 October 2020 for loan amount of not more than RMB21,485,200 over the loan period from 16 October 2020 to 16 October 2025.
9. As expected by the Company and based on previous experience of the Company, it will take around 3 to 6 months for completing the relevant application procedures as mentioned in note 8.4 above. Based on the advice provided by the PRC Legal Adviser, the Company does not anticipate any difficulty in going through and completing those application procedures.
10. As the 7-storey dormitory building and the 6-storey office building have obtained approval from the Jinjiang City Development and Reform Bureau, have been built in accordance with the said Construction Work Planning Permit and are being occupied by the Group for its normal course of operations. It is further confirmed by the PRC legal adviser that the Group shall have no legal impediment in obtaining Real Estate Right Certificate for them. Hence, they have been valued on replacement cost basis without valuation adjustment.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for self occupation

Property No. 5	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
Production base at No. 6 Xiao De Road Xiao Nan District Xiao Gan City Hubei Province, the PRC (湖北省孝感市孝南區孝德路6號)	<p>The Property is occupying a land parcel with an area of 97,521.09 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 5 kilometres at the south the downtown of Xiao Gan City. Immediate locality of the Property is generally industrial in nature where factory complexes engaging in bio-technology, new material development and production, environmental engineering are found.</p> <p>The subject land parcel is developed with a 5-storey office building, a single-storey workshop building, a single-storey warehouse building, 2 single-level guard houses, a single-level transformer room and a single-storey fire pumping room with a total gross floor area of 32,563.45 square metres. They were completed in 2020. In addition to the aforesaid major buildings, such land improvement works as boundary walls, fermentation room and refuse room are found within the Property.</p>	<p>The Property has been occupied and operated by the Group as the production base of foodstuffs.</p>	98,730,000
	<p>The land use rights of the subject land have been granted for a term of 50 years expiring on 8 January 2069 for industrial use.</p>		

Notes:

1. As revealed from the Real Estate Right Certificate (Ref No. E (2019) Xiao Nan Qu Bu Dong Chan Quan No. 0002356) issued by the Xiao Gan City Xian Nan District State Land Resource Administrative Bureau on 29 March 2019, the land use rights of the subject land with an area of 97,521.09 square metres are held by Xiaogan QinQin Biotechnology Co., Ltd. (孝感親親生物科技有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 8 January 2069.
2. As revealed from the Agreement for State Owned Land Use Right Grant entered into between the Xiao Gan City Xiao Nan District Land Resources Administrative Bureau (the Grantor) and Xiaogan QinQin Biotechnology Co., Ltd. (the Grantee) on 9 January 2019, the land use rights of the subject land parcel (namely Lot No. Xiao Nan KG(2018)008) with an area of 97,521.09 square metres were granted by the Grantor to the Grantee for a term of 50 years for industrial use at a consideration of RMB19,900,000 which have been settled in full by the Grantee
3. Real Estate Right Certificate for the subject buildings has yet to be issued. Xiaogan QinQin Biotechnology Co., Ltd. has obtained Construction Work Permit (建築設工程施工許可證, Ref No. 4209021906259902-SX-012) for the construction of the subject buildings. In addition, the subject buildings with a total gross floor area of 32,563.45 square metres (including the office building of 6,294.75 square metres; the workshop building of 14,327.77 square metres; the warehouse building of 9,719.61 square metres; the transformer room and fire pumping room of 2,090.42 square metres and the guard house of 130.9 square metres) have been issued by the Xiao Nan District Natural Resources and Planning Bureau with the Construction Work Completion and Planning Condition Compliance Examination Certificate (建設工程竣工驗收規劃條件核實證明, Ref He Zhi No. XN-2020-026 Nan Kai) on 16 June 2020. The Fire Safety Facility Work Completion Inspection and Acceptance Testing Opinion (建設工程消防驗收意見書) was issued by the Xiao Gan City Xiao Nan District Housing, Urban and Rural Construction Bureau (孝感市孝南區住房和城鄉建設局) to the subject buildings on 8 January 2020. The buildings concerned have been fully completed in accordance with the planning conditions and are being occupied by the Group for its normal course of operations. It is further confirmed by the PRC legal adviser that the Group shall have no legal impediment in obtaining Real Estate Right Certificate for them. Hence, they have been valued on replacement cost basis without any valuation adjustment.
4. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 4.1 Xiaogan QinQin Biotechnology Co., Ltd. has legally secured the land use rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.
 - 4.2 According to Xiaogan QinQin Biotechnology Co., Ltd., the Real Estate Right Certificates for the subject buildings are under application. It has obtained the following approvals and documents for their construction:
 - 4.2.1 Hubei Province Fixed Asset Investment Project Application Filing Certificate (湖北省固定資產投資項目備案證) (Registration Filing Project Code : 2018-420902-15-03-079593) issued by the Xiao Gan City Xiao Nan District Development and Reform Bureau on 13 December 2018 by virtue of which the permitted scale of the development of the property in term of gross floor area is 120,000 square metres;
 - 4.2.2 Approval on Construction Project Environmental Impact Study Report Schedule (環境影響報告表的批復, Ref : Xiao Nan Huan Shen Han [2019] No. 36 issued by the Xiao Gan City Xiao Nan District Environmental Protection Bureau on 23 April 2019;
 - 4.2.3 Review Comments on Construction Project Fire System Design (建設工程消防設計審查意見書, Ref Xiao She Shen [2019] No. 056) issued by Xiao Gan City Tian An Construction Project Design Review Firm Company Limited (孝感市天安建設工程設計審查事務所有限公司) on 13 August 2019 which certifies that the fire system design of the subject buildings is up to the relevant fire technical standards and the fire system design of the subject buildings is qualified;

- 4.2.4 Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. XN-2019-03032 Nan Kai) dated 14 March 2019;
- 4.2.5 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. XN-2019-0006) dated 5 June 2019;
- 4.2.6 Construction Work Permit (建設工程施工許可證, Ref No. 4209021906259902-SX-012) dated 15 August 2019;
- 4.2.7 Construction Work Completion Inspection and Acceptance Testing Filing Certificate (工程竣工驗收備案證明書 Ref No. 422201/B-2020-089 which certifies that the construction work of the subject buildings has processed the Work Completion Inspection and Acceptance Testing Filing.
- 4.2.8 Environmental protection facility work completion inspection and acceptance testing has been completed for the subject buildings.
- 4.2.9 Opinions on Fire System Installation Work Completion Inspection and Acceptance Testing issued by the Xiao Gan City Xiao Nan District Housing, Town and Rural Construction Bureau on 8 January 2020 which certifies that the fire system installation works for the subject building has passed the acceptance testing.
- 4.3 Upon submission of all relevant documents as requested by laws or demanded by the relevant Government authorities, Xiaogan QinQin Biotechnology Co., Ltd. shall have no legal impediment in obtaining Real Estate Right Certificates for the subject buildings, which is also confirmed by the PRC legal adviser.
- 4.4 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.
5. As confirmed by the Company, it is targeted to make the submission and apply for Real Estate Right Certificates for the property by 2021. As expected by the Company and based on previous experience of the Company, it shall take around 3 to 6 months to complete the process. Based on the advice provided by the PRC Legal Adviser, the Company does not anticipate any difficulty in going through and completing the process.

VALUATION CERTIFICATE

Group II — Property interests held by the Group for self occupation

Property No. 6	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 RMB
Production base at No. 72 Shun Fu Road Li Shi Street Development Zone Wang Hua District Fu Shun City Liaoning Province, the PRC (遼寧省撫順市望花區李 石街道開發區順富路72 號)	<p>The Property is occupying a land parcel with an area of 67,529.60 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 20 kilometres at the west of the downtown of Fu Shun City. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>The subject land parcel is developed with 4 blocks of 2-storey workshop building, a single-storey workshop building, a single-storey warehouse building, a 3-storey composite building, a 2-storey shower and canteen building, a single-level guard house and a single-level kiosk with a total gross floor area of 34,303.70 square metres. They were completed in between 2005 and 2007. In addition to the aforesaid major buildings, such land improvement works as boundary walls, parking sheds, refuse room, loading platform, air compressor room, retail kiosk and water tank are found within the Property.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 26 January 2044 for industrial use.</p>	<p>The Property has been occupied and operated by the Group as the production base of foodstuffs.</p>	46,100,000

Notes:

1. As revealed from the Land Use Right Certificate (Ref: Fu Jing Kai Guo Yong (Tu) Zhi No. 2003-037) issued by the Fu Shun Economic Development Zone Town Planning and Construction Bureau (撫順經濟開發區規劃建設局) on 26 June 2003, the land use rights of the subject site with an area of 67,529.60 square metres are held by Fushun QinQin Food Industry Development Co., Ltd. (撫順親親食品工業發展有限公司, a wholly-owned subsidiary of the Company) for a term expiring on 26 January 2044 for industrial use.
2. As revealed from the Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990043) issued by the Fu Shun City Building Administrative Bureau (撫順市房產管理局), one of the 4 blocks of 2-storey workshop building (Block No. 1) with a gross floor area of 5,116.32 square metres is held by Fushun QinQin Food Industry Development Co., Ltd..
3. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990044) issued by the Fu Shun City Building Administrative Bureau, one of the 4 blocks of 2-storey workshop building (Block No. 2) with a gross floor area of 5,436.40 square metres is held by Fushun QinQin Food Industry Development Co., Ltd..
4. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990045) issued by the Fu Shun City Building Administrative Bureau, the guard house with a gross floor area of 28.97 square metres is held by Fushun QinQin Food Industry Development Co., Ltd.
5. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990046-1) issued by the Fu Shun City Building Administrative Bureau, the 3-storey composite building with a gross floor area of 2,765.62 square metres is held by Fushun QinQin Food Industry Development Co., Ltd.
6. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990047) issued by the Fu Shun City Building Administrative Bureau, one of the 4 blocks of 2-storey workshop building (Phase 2 Workshop) with a gross floor area of 6,566.23 square metres is held by Fushun QinQin Food Industry Development Co., Ltd.
7. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990048) issued by the Fu Shun City Building Administrative Bureau, the single-storey workshop building (Block No. 3) with a gross floor area of 4,985.00 square metres is held by Fushun QinQin Food Industry Development Co., Ltd.
8. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990049) issued by the Fu Shun City Building Administrative Bureau, the 2-storey shower and canteen building with a gross floor area of 1,016.00 square metres is held by Fushun QinQin Food Industry Development Co., Ltd.
9. As revealed from another Building Ownership Certificate (Ref: Fang Quan Zheng Fu Kai Fang Zhi No. 990119) issued by the Fu Shun City Building Administrative Bureau, one of the 4 blocks of 2-storey workshop building (Phase 4 Workshop) with a gross floor area of 6,080.18 square metres is held by Fushun QinQin Food Industry Development Co., Ltd..
10. In addition to the aforesaid buildings, the following additional buildings are erected on the subject land parcels to which the Building Ownership Certificate has not been issued:
 - 3-storey dormitory buildings (Phase 6 Dormitory) with a total gross floor area of 1,744.58 square metres annexed to both the eastern end and the western end of the 3-storey composite building as mentioned in note 5 above;
 - Single-storey workshop building (Temporary Ancillary Workshop) with a gross floor area of 500 square metres annexed to the Phase 4 Workshop as mentioned in note 9 above; and
 - A single-level kiosk with a gross floor area of 64.4 square metres.

11. Fushun QinQin Food Industry Development Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref No. 2006-17) and Construction Work Permit (建築設工程施工許可證, Ref No. 210411200703290101) for the construction of the 3-storey dormitory buildings. As the above 3 additional buildings may not be eligible for obtaining Building Ownership Certificate, we have ascribed no commercial value to them in this valuation.
12. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - 12.1 Fushun QinQin Food Industry Development Co., Ltd. has legally secured the land use rights and building ownership rights as specified in the Land Use Right Certificate and 8 sets of Building Ownership Certificate as mentioned in note 1 to 9 above, and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.
 - 12.2 Fushun QinQin Food Industry Development Co., Ltd. has not obtained Building Ownership Certificate for the additional structures as mentioned in note 10 above on the following grounds:
 - 12.2.1 the construction of the 3-storey dormitory buildings (Phase 6 Dormitory) with a total gross floor area of 1,744.58 square metres has been issued with Construction Work Planning Permit (Ref No. 2006-17) and Construction Work Permit (Ref No. 210411200703290101) and its construction work completion has been jointly inspected and tested by relevant inspection and testing units, design unit, construction unit, supervision unit and building unit. However, it has failed to complete necessary procedures in relation to civil air defense facility works such that it is entitled to apply for Building Ownership Certificate.
 - 12.2.2 the single-storey workshop building (Temporary Ancillary Workshop) with a gross floor area of 500 square metres is temporary structure in nature and has been built without applying for necessary permit and approval. It is intended to be demolished in 2023.
 - 12.2.3 the single-level kiosk with a gross floor area of 64.4 square metres is standing on top of underground municipal pipeline systems and under relevant laws and regulations, no building and structure is allowed to be built on top of underground municipal pipeline systems.
 - 12.3 According to the Civil Air Defense Law (人民防空法) effective 1 January 1997, any new building construction for civil uses within urban areas should provide bunker that can be used as shelter during wartime. Otherwise, the Government can issue warnings and impose orders for compulsory building of bunker with a fine of not more than RMB100,000.
 - 12.4 According to the Town and Rural Planning Law (城鄉規劃法) effective 23 April 2019, prior approval from relevant planning authorities is required for temporary structure construction within planning areas. Furthermore, the temporary structure should be demolished on or before the expiry of the approved usage period. Otherwise, compulsory demolition order together with a fine of not more than 200% of its construction costs shall be imposed on the temporary structure.
 - 12.5 According to the Town and Rural Planning Law, the carrying out of construction work without obtaining construction work planning permit or without adhering to the planning conditions spelled out in the construction work planning permit shall be subject to work ceasing order, rectification and demolition order (to restore the land to pre-construction status) and a fine between 5% and 10% of the construction costs or confiscation order if demolition and rectification are not feasible.

- 12.6 According to Proviso 64 of the Construction Law, commencement of construction work without obtaining construction work permit shall be ordered to take necessary rectification measures so as to ensure that the construction site conditions are up to the required safety standards or ordered for work halt if the construction site cannot fulfill the required safety conditions. According to Proviso 61, all buildings and structures are only permissible for occupation after completing necessary work completion inspection and acceptance testing. Under the Construction Work Quality Control Regulations (建設工程品質管制條例), the project owner shall be penalized with a fine between 2% and 4% of the construction contract sum and shall take full responsibility for all damages arising from the construction work if he allows occupation of the building or structure before passing work completion inspection and acceptance testing.
- 12.7 In view of the non-conformities associate with the construction of additional structures as mentioned in note 12.2 and 12.3 to 12.5 above, Fushun QinQin Food Industry Development Co., Ltd. is exposing to the risk of being charged with fines, evacuation order, demolition order or other administrative penalties. As confirmed by the Company, none of the administrative penalties in relation to the construction of the additional structures has been imposed to Fushun QinQin Food Industry Development Co., Ltd. as at the date of the PRC Legal Opinion. The Company has further confirmed that the single-storey workshop building (Temporary Ancillary Workshop) has not been used by Fushun QinQin Food Industry Development Co., Ltd for carrying out production activities. The PRC legal advisor is of the opinion that the non-conformity of the single-storey workshop building (Temporary Ancillary Workshop) shall not constitute adverse impact on the food production operations of Fushun QinQin Food Industry Development Co., Ltd.
- 12.8 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion. It is further confirmed by the Company that Fushun QinQin Food Industry Development Co., Ltd. is not subject to any fines, work ceasing order, rectification order, demolition order (to restore the land to pre-construction status), evacuation order, confiscation order and any kind of administrative penalties as mentioned in note 12.6 and 12.7 above. It is also confirmed by the Company that Fushun QinQin Food Industry Development Co., Ltd. has not been issued any warning or have had imposed on it any orders for compulsory building of bunker.

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development

Property No. 7	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
<p>Production base at No. 2 Chuang Ye Road Dong Po District Mei Shan City Sichuan Province the PRC (四川省眉山市東坡區創業路2號)</p>	<p>The Property is occupying a land parcel with an area of 31,442.65 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 8 kilometres at the south of the downtown of Mei Shan City. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>The subject land parcel is developed with a 4-storey workshop building, a single-storey workshop building, a 4-storey dormitory building, a single-level guard house, a single-storey power supply room and a single-level guard house with a total gross floor area of 15,714.86 square metres. They were completed in about 2000. In addition, construction work for a single-storey warehouse building, a single-storey plant room, a single-storey fire water tank pump room and a single-storey waste water treatment plant room with a total gross floor area of 7,915.02 square metres, renovation and modification construction works for the 2 existing workshop buildings with an additional gross floor area of 1,175.63 square metres are currently underway and are scheduled for completion in mid 2021.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 30 December 2063 for industrial use.</p>	<p>The Property is currently vacant and is planned to be occupied and operated by the Group as the production base of foodstuffs.</p>	<p>49,900,000</p>

Notes:

1. As revealed from the Real Estate Right Certificate (Ref No. Chuan (2021) Dong Po Qu Bu Dong Chan Quan No. 0000075) issued by the Mei Shan City Dong Po District Natural Resource and Planning Administrative Bureau on 8 January 2021, the land use rights of the subject land with an area of 31,442.65 square metres and the building ownership rights of the 4-storey dormitory building with a gross floor area of 2,116.58 square metres are held by Sichuan QinQin Food Technology Co., Ltd. (四川省親親食品科技有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 30 December 2063.
2. As revealed from the Real Estate Right Certificate (Ref No. Chuan (2021) Dong Po Qu Bu Dong Chan Quan No. 0000071) issued by the Mei Shan City Dong Po District Natural Resource and Planning Administrative Bureau on 8 January 2021, the land use rights of the subject land with an area of 31,442.65 square metres and the building ownership rights of the single-level boiler room with a gross floor area of 235.63 square metres are held by Sichuan QinQin Food Technology Co., Ltd. for industrial use for a term expiring on 30 December 2063.
3. As revealed from the Real Estate Right Certificate (Ref No. Chuan (2021) Dong Po Qu Bu Dong Chan Quan No. 0000072) issued by the Mei Shan City Dong Po District Natural Resource and Planning Administrative Bureau on 8 January 2021, the land use rights of the subject land with an area of 31,442.65 square metres and the building ownership rights of the single-storey workshop building (Block No. 1) with a gross floor area of 6,843.12 square metres are held by Sichuan QinQin Food Technology Co., Ltd. for industrial use for a term expiring on 30 December 2063.
4. As revealed from the Real Estate Right Certificate (Ref No. Chuan (2021) Dong Po Qu Bu Dong Chan Quan No. 0000073) issued by the Mei Shan City Dong Po District Natural Resource and Planning Administrative Bureau on 8 January 2021, the land use rights of the subject land with an area of 31,442.65 square metres and the building ownership rights of the single-level guard house with a gross floor area of 47.52 square metres are held by Sichuan QinQin Food Technology Co., Ltd. for industrial use for a term expiring on 30 December 2063.
5. As revealed from the Real Estate Right Certificate (Ref No. Chuan (2021) Dong Po Qu Bu Dong Chan Quan No. 0000074) issued by the Mei Shan City Dong Po District Natural Resource and Planning Administrative Bureau on 8 January 2021, the land use rights of the subject land with an area of 31,442.65 square metres and the building ownership rights of the 4-storey workshop building (Block No. 2) with a gross floor area of 6,239.26 square metres are held by Sichuan QinQin Food Technology Co., Ltd. for industrial use for a term expiring on 30 December 2063.
6. As revealed from the Real Estate Right Certificate (Ref No. Chuan (2021) Dong Po Qu Bu Dong Chan Quan No. 0000070) issued by the Mei Shan City Dong Po District Natural Resource and Planning Administrative Bureau on 8 January 2021, the land use rights of the subject land with an area of 31,442.65 square metres and the building ownership rights of the single-level power supply room with a gross floor area of 232.75 square metres are held by Sichuan QinQin Food Technology Co., Ltd. for industrial use for a term expiring on 30 December 2063.
7. Sichuan QinQin Food Technology Co., Ltd. has obtained the planning consent via the Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 2021-032) dated 5 March 2021 for the renovation and modification works for the 2 workshop buildings (Block Nos. 1 and 2) so as to increase their total gross floor area from 13,082.38 square metres to 14,258.01 square metres and the construction of the single-storey warehouse building (with a gross floor area of 5,764.22 square metres), a single-storey plant rooms (with respective gross floor area of 798.80 square metres), a single-storey fire water tank pump room (with a gross floor area of 572.04 square metres) and a single-storey waste water treatment plant room (with a gross floor area of 779.97 square metres). As confirmed by the Company, besides the aforesaid consent conditions on the permitted uses and the permitted floor areas, there are no other conditions attached to the planning consent. Our valuation of these buildings has been made on the basis that Sichuan QinQin Food Technology Co., Ltd. shall complete the building works in accordance with the aforesaid consent conditions and therefore the said consent conditions have not affected the value of this property.

8. According to the information provided by the Company, the further costs to complete the construction works for the Property is estimated at approximately RMB7,955,000 and the completed value of the Property as of the Valuation Date is RMB57,855,000. The construction work is scheduled for completion in 2021 and the completed buildings and structures shall form part of the production base occupied by the Group for food production purpose.
9. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
- 9.1 Sichuan QinQin Food Technology Co., Ltd. has legally secured the land use rights and building ownership rights as in the 6 sets of Real Estate Right Certificate as mentioned in note 1 to 6 above and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.
- 9.2 Sichuan QinQin Food Technology Co., Ltd. has been issued with the following Government approvals and documents for carrying out the construction works for the single-storey warehouse building, the single-storey plant room, the single-storey fire water tank pump room and the single-storey waste water treatment plant room and the renovation and modification work for the 2 existing workshop buildings:
- 9.2.1 Sichuan Foreign Entity Investment Project Application Filing Certificate (四川省外商投資項目備案表) (Ref Chuan Tou Zi Bei [2020-511402-14-03-486422] No. FGWB-0125) issued by the Mei Shan City Dong Po District Development and Reform Bureau on 11 August 2020 by virtue of which the approved scale of the development of the property is 31,333.3 square metres of total land area, 17,963.99 square metres of usable land area and 31,823.26 square metres of total gross floor area;
- 9.2.2 Approval on Project Environmental Impact Study Report (Ref Mei Dong Huan Jian Han [2020] No.75) issued by the Mei Shan City Dong Po Ecological Environmental Protection Bureau on 17 December 2020;
- 9.2.3 As confirmed by the Company, Sichuan QinQin Food Technology Co., Ltd. has submitted the fire system design for review and the review comment was pending from the authority;
- 9.2.4 Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. 2021-031) dated 5 March 2021;
- 9.2.5 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 2021-032) dated 5 March 2021 for building construction of the property with a gross floor area of 22,173.03 square metres
- 9.2.6 As confirmed by the Company, the Construction Work Permit for the construction, renovation and modification works of the property was in progress as of the date of the PRC Legal Opinion.
- 9.3 As at the date of the PRC Legal Opinion, Sichuan QinQin Food Technology Co., Ltd. has not been issued with the Review Comments on the fire system design for the construction, renovation and modification works of the property. Under the Provisional Regulations on the Administration of Construction Work Fire System Design Review and Completion Examination (建設工程消防設計審查驗收管理暫行規定), project owners and builders are prohibited from commencing construction work if the designs of the fire systems of the projects have not been reviewed or the design have not passed the review process. According to the Fire Protection Law, the relevant Government authority in charge of urban and rural construction and fire rescue authorities shall impose work ceasing order, building evacuation order and a fine at an amount between RMB30,000 and RMB300,000. Sichuan QinQin Food Technology Co., Ltd. which has undertaken construction work for the property without passing the review process for fire system design is exposing to the risk of being charged with work ceasing order and fines. As confirmed by the Company, none of the administrative penalties in relation to the construction work of the single-storey warehouse building, the single-storey plant room, the single-storey fire water tank pump room and the single-storey waste water treatment plant room and the renovation and modification work for the 2 existing workshop buildings has been imposed to Sichuan QinQin Food Technology Co., Ltd. as at the date of the PRC Legal Opinion.

- 9.4 Under the Construction Work Quality Control Regulations (建設工程品質管制條例), the project owner shall be charged with work ceasing and rectification order and penalized with a fine between 1% and 2% of the construction contract sum for carrying out construction work without obtaining Construction Work Permit. As such, Sichuan QinQin Food Technology Co., Ltd. which has commenced the construction, renovation and modification works for the property without obtaining Construction Work Permit is exposing to the risk of being charged with work ceasing order and fines. As confirmed by the Company, Sichuan QinQin Food Technology Co., Ltd. has communicated with the relevant Government authorities over the construction work permit and is not in the situation of being charged with administrative orders and penalties. Sichuan QinQin is in the course of submitting all relevant documents for the application of Construction Work Permit and the Construction Work Permit is expected to be issued to Sichuan QinQin Food Technology Co., Ltd. by end of June 2021.
- 9.5 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.
10. The potential risk facing the company and having impact on property value is the issue of rectification order by the Government by virtue of which the owner is required to restore the property into pre-construction status. Since the Group has obtained relevant planning consent on 5 March 2021 and has proceeded with the building works in accordance with the planning conditions (regarding the permitted building use and the permitted floor area) and the planning conditions have not affected the value of this property. The Group is of the view that the issue of rectification order by the Government is very unlikely. In addition, the Group is in the course of submitting all relevant documents for the application of Construction Work Permit and it is only subject to certain administrative procedures to be fulfilled for the issue of Construction Work Permit for the concerned building work. Hence, the property has been valued on replacement cost basis, taking fully into account the prescribed planning conditions, without any valuation adjustment.

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development

Property No. 8	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
<p>Production base at the junction of Xian Hong Highway and Yang Gang Boulevard Xian Tao Industrial Park Xian Tao City Hubei Province the PRC (湖北省仙桃市仙桃市工業園仙洪公路及揚崗大道交界)</p>	<p>The Property is occupying a land parcel with an area of 83,365.29 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 8 kilometres at the south of the downtown of Xian Tao City. Immediate locality of the Property is rural in nature and is gradually, through various relocation and redevelopment transformed into an industrial area.</p> <p>The subject land parcel is planned to be developed into an industrial complex with a total gross floor area of 66,370.51 square metres which comprises a 5-storey office building with a gross floor area of 4,202.76 square metres, a 7-storey dormitory building with a gross floor area of 18,050.39 square metres, a 2-storey warehouse building with a gross floor area of 12,489.38 square metres and 2 blocks of 2-storey workshop building with respective gross floor area of 17,104.35 square metres and 14,523.63 square metres. As at the Valuation Date, construction work for the office building, the dormitory building and the 2 workshop buildings were underway and they are scheduled for completion in October 2021.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 7 July 2070 for industrial use.</p>	<p>The Property is currently vacant and is planned to be occupied and operated by the Group as the production base of foodstuffs.</p>	<p>23,430,000</p>

Notes:

1. As revealed from the Real Estate Right Certificate (Ref No. E (2020) Xian Tao Shi Bu Dong Chan Quan No. 0010423) issued by the Xian Tao City State Land Administration Bureau Centre on 30 August 2020, the land use rights of the subject land with an area of 83,365.29 square metre are held by Xiantao QinQin Food Technology Co., Ltd. (仙桃市親親食品科技有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 7 July 2070.
2. Pursuant to the Agreement for State Owned Construction Land Use Right Grant entered into between the Xian Tao City Natural Resources and Planning Administrative Bureau (the Grantor) and Xiantao QinQin Food Technology Co., Ltd. (the Grantee) on 8 July 2020, the land use rights of the subject land parcel (Lot No. Xian Di [2020] 86) with an area of 83,365.29 square metres were granted by the Grantor to the Grantee for a term of 50 years for industrial use at a consideration of RMB17,294,400 which has been settled in full by the Grantee.
3. Xiantao QinQin Food Technology Co., Ltd. has obtained Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. 429004202000061) dated 8 August 2020 and Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 429004202100015) dated 22 January 2021 both issued by the Xian Tao City Natural Resources and Planning Administrative Bureau and Construction Work Permit (建築工程施工許可證, Ref No. 429004202104300101) dated 30 April 2021 issued by the Xian Tao City Housing, Urban and Rural Construction Bureau for the construction of the subject buildings with a total gross floor area of 66,370.51 square metres on the subject land parcel.
4. According to the information provided by the Company, the further costs to complete the construction work for the Property is estimated at RMB71,600,000 and the completed value of the Property as of Valuation Date is RMB103,000,000. The construction work is scheduled for completion in 2021 and the completed property shall be the production base occupied by the Group for food production purpose.
5. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 5.1 Xiantao QinQin Food Technology Co., Ltd. has legally secured the land use rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.
 - 5.2 Xiantao QinQin Food Technology Co., Ltd. has been issued with the following approvals and documents for carrying construction works on the subject land parcel:
 - 5.2.1 Hubei Province Fixed Asset Investment Project Application Filing Certificate (湖北省固定資產投資項目備案證) (Registration Filing Project Code : 2019-429004-14-03-054164) issued by the Xian Tao City Development and Reform Committee on 12 December 2019 by virtue of which the approved scale of development is 101,614 square metres of land area and 83,000 square metres of gross floor area;
 - 5.2.2 Approval on Construction Project Environmental Impact Report Schedule (環境影響報告表的批復, Ref : Xiao Huan Jian Han [2020] No. 98) issued by the Xian Tao City Dong Po Ecological Environmental Protection Bureau (仙桃市東坡生態環境局) on 16 October 2020;
 - 5.2.3 Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. 429004202000061) dated 8 August 2020;
 - 5.2.4 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 429004202100015) dated 22 January 2021 for the construction of the subject buildings with a total gross floor area of 66,370.51 square metres;

- 5.2.5 Construction Work Permit (建築工程施工許可證, Ret No. 429004202104300101) dated 30 April 2021 issued by the Xian Tao Cit Housing, Urban and Rural Construction Bureau for the construction of the subject buildings with a total gross floor area of 66,370.51 square metres.
- 5.2.6 As confirmed by the Company, Xiantao QinQin Food Technology Co., Ltd. has consulted with the relevant Government authorities and has been allowed to apply for fire system design review. The Company is in the process of applying for fire system design review.
- 5.2.7 Upon completing fire system design review process, going through work completion inspection and testing and submitting all necessary documents to the Government authorities, Xiantao QinQin Food Technology Co., Ltd. shall have no legal impediment in obtaining Real Estate Right Certificate for the property.
- 5.3 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.
6. As expected by the Company and based on previous experience of the Company, it will taken about 3 to 6 months to complete the necessary processes as mentioned in note 5.2.6 and 5.2.7 above. Based on the advice provided by the PRC Legal Adviser, the Company does not anticipate and difficulty in going through and completing those application procedures.
7. The property is currently under construction and completion is scheduled in 2021. The mentioned procedures necessary for application of the Real Estate Right Certificate for the property shall be proceeded as soon as the construction work is completed in 2021. It is further confirmed by the PRC legal adviser that the Group shall have no legal impediment in obtaining Real Estate Right Certificate for the property. Hence, the property has been valued on replacement cost basis without any valuation adjustment.

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development

Property No. 9	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
<p>Production base at Quan Xing Road Si Shui County, Jining City Shandong Province the PRC (山東省濟寧市泗水縣泉興路)</p>	<p>The Property is occupying a land parcel with an area of 110,504.03 square metres.</p> <p>The Property is falling within an industrial zone which is located approximately 4 kilometres at the west of the downtown of Si Shui County. Immediate locality of the Property is rural in nature and is gradually, through various relocation and redevelopment transformed into an industrial area.</p> <p>The subject land parcel is planned to be developed into an industrial complex with a total gross floor area of 98,153.05 square metres which comprises a 3 blocks of 2-storey workshop building, 2 blocks of 2-storey warehouse building, 2 blocks of 5-storey dormitory building, a 5-storey office building, a single-level fire water pump room, a single-level plant, 3 blocks of single-storey ancillary building and a single-level guard house. As at the Valuation Date, construction work for the subject buildings were underway except one of the two 5-storey dormitory buildings of which construction work has yet to commence. Those buildings under construction are scheduled for completion by end of 2021.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 3 November 2070 for industrial use.</p>	<p>The Property is currently vacant and is planned to be occupied and operated by the Group as the production base of foodstuffs.</p>	<p>174,800,000</p>

Notes:

1. As revealed from the Real Estate Right Certificate (Ref No. Lu (2020) Si Shui Xian Bu Dong Chan Quan No. 0005251) issued by the Si Shui County Natural Resource and Planning Administrative Bureau on 5 November 2020, the land use rights of the subject land with an area of 110,504.03 square metres are held by Jining QinQin Food Technology Co., Ltd. (濟寧市親親食品科技有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 3 November 2070.
2. Pursuant to the Agreement for State Owned Construction Land Use Right Grant entered into between the Si Shui County Natural Resources and Planning Administrative Bureau (the Grantor) and Jining QinQin Food Technology Co., Ltd. (the Grantee) on 3 November 2020, the land use rights of the subject land parcel (Lot No. Si Zheng Di 2020-2-1) with an area of 110,504 square metres were granted by the Grantor to the Grantee for a term of 50 years for industrial use at a consideration of RMB31,100,000 which has been settled in full by the Grantee.
3. Jining QinQin Food Technology Co., Ltd. has obtained Construction Land Use Planning Permit (建設用地規劃許可證, Ref Jian Di Zhi No. 370831202000031) from the Si Shui County Administrative Review and Approval Services Bureau (泗水縣行政審批服務局) on 3 November 2020 for the development of the subject land parcel with an area of 165.756 mou (or approximately 110,504.03 square metres) into a food production base.
4. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000185) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 2-storey warehouse building (Block No. 1) with a gross floor area of 19,489.93 square metres on the subject land parcel.
5. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000186) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 2-storey workshop building (Block No. 2) with a gross floor area of 12,707.26 square metres on the subject land parcel.
6. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000187) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 2-storey workshop building (Block No. 3) with a gross floor area of 10,460.23 square metres on the subject land parcel.
7. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000188) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 2-storey workshop building (Block No. 4) with a gross floor area of 10,244.62 square metres on the subject land parcel.
8. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000189) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 2-storey warehouse building (Block No. 5) with a gross floor area of 13,898.16 square metres on the subject land parcel.
9. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000190) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 5-storey dormitory building (Block No. 6) with a gross floor area of 8,380.66 square metres on the subject land parcel.
10. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000191) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 5-storey dormitory building (Block No. 7) with a gross floor area of 9,247.37 square metres on the subject land parcel.

11. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000192) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of single-level fire water pump room (Block No. 8) with a gross floor area of 709.93 square metres on the subject land parcel.
12. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000193) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the 5-storey office building (Block No. 9) with a gross floor area of 4,227.24 square metres on the subject land parcel.
13. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000194) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the single-storey plant room (Block No. 10) with a gross floor area of 3,640 square metres on the subject land parcel.
14. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000195) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the single-storey ancillary room (Block No. 11) with a gross floor area of 2,682.64 square metres on the subject land parcel.
15. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000196) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the single-storey ancillary room (Block No. 12) with a gross floor area of 2,364.03 square metres on the subject land parcel.
16. Jining QinQin Food Technology Co., Ltd. has obtained Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000197) from the Si Shui County Administrative Review and Approval Services Bureau on 5 November 2020 for the construction of the single-storey ancillary room (Block No. 13) with a gross floor area of 76.14 square metres on the subject land parcel.
17. The Construction Work Permit (建築工程施工許可證, Ref No. 370831202011050301) was issued by the Si Shui County Administrative Review and Approval Services Bureau to Jining QinQin Food Technology Co., Ltd. on 5 November 2020 for the carrying out construction works for the aforesaid 13 buildings as well as the single-level guard house with a gross floor area of 24.84 square metres on the subject land parcels.
18. According to the information provided by the Company, the further costs to complete the construction works for the Property is estimated at RMB37,000,000 and the completed value of the Property as of Valuation Date is RMB211,800,000. The construction work is scheduled for completion in 2021 and the completed property shall be the production base occupied by the Group for food production purpose.
19. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 19.1 Jining QinQin Food Technology Co., Ltd. has legally secured the land use rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land and building by legal means.

- 19.2 Jining QinQin Food Technology Co., Ltd. has been issued with the following Government approvals and documents for carrying construction works on the subject land parcel:
- 19.2.1 Shandong Province Construction Project Application Filing Certificate (山東省建設項目備案證明) issued on 23 April 2020 by virtue of which the approved scale of development is 110,000 square metres of land area and 118,000 square metres of gross floor area;
 - 19.2.2 Review Comments (Ref Ji Huan Bao Gao Biao Si Shui [2020] No. 063) issued by the Jining City Environmental Protection Bureau on 9 May 2020 which certifies the approval of the development project of the property;
 - 19.2.3 Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. 37083120200031) dated 5 November 2020;
 - 19.2.4 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000197) dated 5 November 2020 for the construction of the single-storey ancillary room (Block No. 13) with a gross floor area of 76.14 square metres;
 - 19.2.5 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000196) dated 5 November 2020 for the construction of the single-storey ancillary room (Block No. 12) with a gross floor area of 2,364.03 square metres;
 - 19.2.6 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000195) dated 5 November 2020 for the construction of the single-storey ancillary room (Block No. 11) with a gross floor area of 2,682.64 square metres;
 - 19.2.7 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000194) dated 5 November 2020 for the construction of the single-storey plant room (Block No. 10) with a gross floor area of 3,640 square metres;
 - 19.2.8 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000193) dated 5 November 2020 for the construction of the 5-storey office building (Block No. 9) with a gross floor area of 4,227.24 square metres;
 - 19.2.9 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000192) dated 5 November 2020 for the construction of the single-level fire water pump room (Block No. 8) with a gross floor area of 709.93 square metres;
 - 19.2.10 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000191) dated 5 November 2020 for the construction of the 5-storey dormitory building (Block No. 7) with a gross floor area of 9,247.37 square metres;
 - 19.2.11 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000190) dated 5 November 2020 for the construction of the 5-storey dormitory building (Block No. 6) with a gross floor area of 8,380.66 square metres;
 - 19.2.12 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000189) dated 5 November 2020 for the construction of the 2-storey warehouse building (Block No. 5) with a gross floor area of 13,898.16 square metres;

- 19.2.13 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000188) dated 5 November 2020 for the construction of the 2-storey workshop building (Block No. 4) with a gross floor area of 10,244.62 square metres;
- 19.2.14 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000187) dated 5 November 2020 for the construction of the 2-storey workshop building (Block No. 3) with a gross floor area of 10,460.23 square metres;
- 19.2.15 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000186) dated 5 November 2020 for the construction of the 2-storey workshop building (Block No. 2) with a gross floor area of 12,707.26 square metres;
- 19.2.16 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. 370831202000185) dated 5 November 2020 for the construction of the 2-storey warehouse building (Block No. 1) with a gross floor area of 19,489.93 square metres;
- 19.2.17 Construction Work Permit (建築設工程施工許可證, Ref No. 370831202011050301) dated 5 November 2020 for the property with a gross floor area of 99,189.91 square metres;
- 19.3 On 26 November 2020, Jining QinQin Food Technology Co., Ltd. obtained the Construction Project Design Drawing Document Examination Passing Certificate (建設工程施工圖設計文件審查合格書) issued by Qingdao San He Construction Drawing Review Co. Ltd. (青島三和施工圖審查有限公司濟寧分公司) and uniformly printed and stamped by the Shandong Province Housing, Urban and Rural Construction Office. As confirmed by the Company, the aforesaid construction drawing review covers fire system design review and no separate review for fire system design is necessary in Jining City.
- 19.4 Upon completing work completion inspection and testing and submitting all necessary documents to the Government authorities, Jining QinQin Food Technology Co., Ltd. shall have no legal impediment in obtaining Real Estate Right Certificate for the subject buildings.
- 19.5 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.
20. As expected by the Company and based on previous experience of the Company, it will take around 3 to 6 months for completing the relevant application procedures after the construction work is completed. Based on the advice provided by the PRC Legal Adviser, the Company does not anticipate any difficulty in going through and completing those application procedures.
21. The property is currently under construction and completion is scheduled in 2021. The mentioned procedures necessary for application of Real Estate Right Certificate for the property shall be proceeded as soon as the construction work is completed in 2021. It is further confirmed by the PRC legal adviser that the Group shall have no legal impediment in obtaining Real Estate Right Certificates. Hence, the property has been valued on replacement cost basis without any valuation adjustment.

VALUATION CERTIFICATE

Group IV — Property interests held by the Group for future development

Property No. 10	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 28 February 2021 <i>RMB</i>
<p>A land parcel situated at the junction of Da Zhi Road and Fu Xing Boulevard Xiao Gan City Hubei Province, the PRC (湖北省孝感市大智路及復興大道交界)</p>	<p>The Property is occupying a land parcel with an area of 23,590.96 square metres which is planned to be developed into a sesame candy and rice wine culture experience hall.</p> <p>The Property is falling within an industrial zone which is located approximately 5 kilometres at the east the downtown of Xiao Gan City. Immediate locality of the Property is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>The land use rights of the subject land have been granted for a term of 50 years expiring on 28 August 2069 for cultural facility use.</p>	<p>The Property is currently vacant.</p>	<p>18,650,000</p>

Notes:

1. As revealed from the Real Estate Right Certificate (Ref E (2019) Xiao Nan Qu Bu Dong Chan Quan No. 0010164) issued by the Real Estate Title Registration Bureau of Xiao Gan City, land use rights of the subject land parcel with an area of 23,590.96 square metres are held by Xiaogan QinQin F&B Co., Ltd. (孝感親親食品有限公司, a wholly-owned subsidiary of the Company) for cultural facility use for a land use right term expiring on 28 August 2069.
2. Pursuant to the Agreement for State Owned Construction Land Use Right Grant entered into between the Xiao Gan City Natural Resources and Planning Administrative Bureau (the Grantor) and Xiaogan QinQin F&B Co., Ltd. (the Grantee) on 26 August 2019, the land use rights of the subject land parcel (Lot No. Xiao Guo Tu Kai G (2019) 02) with an area of 23,590.96 square metres were granted by the Grantor to the Grantee for a term of 50 years for cultural facility use at a consideration of RMB18,119,680 (the “**land purchase consideration**”) which has been settled in full by the Grantee.
3. As provided in the aforesaid agreement, the subject land parcel is subject to the following salient development conditions:

Plot Ratio	:	not greater than 1.4
Maximum Gross Floor Area	:	33,027.34 square metres
Maximum Building Height	:	not higher than 20 metres
Site Coverage	:	not greater than 25%
Land Greenery Ratio	:	not less than 35%
Building Covenant Period	:	construction work start by 15 August 2020 and work completion on or before 15 August 2022 and the construction period can be extended for not more than 1 year subject to prior consent from the Grantor, or the Grantee shall subject to a daily penalty at 1% on the land purchase consideration for extension of the building covenant period
4. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 4.1 Xiaogan QinQin F&B Co., Ltd. has legally secured the land use rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the aforesaid land by legal means.
 - 4.2 Xiaogan QinQin F&B Co., Ltd. has been issued with the following Government approvals and documents for the proposed sesame candy and rice wine culture experience hall development:
 - 4.2.1 Hubei Province Fixed Asset Investment Project Application Filing Certificate (湖北省固定資產投資項目備案證) (Registration Filing Project Code : 2019-420998-14-03-043962) issued by the Xiaogan High New Technology Industry Development Zone Administrative Committee on 3 September 2019 by virtue of which the approved scale of development is 23,590.96 square metres of land area and 33,027.34 square metres of gross floor area;
 - 4.2.2 Construction Project Environmental Impact Registration Form (建設項目環境影響登記表) dated 18 May 2020 (Filing Record No. 20204209000100000016);
 - 4.2.3 Construction Land Use Planning Permit (建設用地規劃許可證, Ref Di Zhi No. KYA19-009-001) dated 12 September 2019;
 - 4.2.4 Construction Work Planning Permit (建設工程規劃許可證, Ref Jian Zhi No. KA20-010-005) dated 29 October 2020 with a construction floor area of 7,148.97;

- 4.3 As stipulated in the Agreement for State Owned Construction Land Use Right Grant entered into between the Xiao Gan City Natural Resources and Planning Administrative Bureau (the Grantor) and Xiaogan QinQin F&B Co., Ltd. (the Grantee) on 26 August 2019, the Grantee should commence construction of the Property on or before 15 August 2020 (the “**building covenant commencement date**”). If the Grantee fails to commence construction work by the building covenant date, it can apply for deferral of work start date 30 days prior to the building covenant date or it shall be subject to a penalty charged at 0.1% on the land purchase consideration of the subject land parcel for each day of delay. As confirmed by the Company, Xiaogan QinQin F&B Co., Ltd. is currently proceeding with the tendering for the project construction. If it is confirmed that Xiaogan QinQin F&B Co., Ltd. has neither observed the building covenant commencement date nor to apply for deferral of work start, it is exposing to the risk of being charged with the penalty of 0.1% on the land purchase consideration per day of delay. It is confirmed by the Company that no such penalty has been imposed to Xiaogan QinQin F&B Co., Ltd. as at the date of the PRC Legal Opinion.
- 4.4 As confirmed by the Company, the property is free from any closure order, seizure order and mortgage as at the date of the PRC Legal Opinion.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Share Offer, the Offeror and the Group.

The information contained in this Composite Document relating to the Offeror Concert Party Group has been supplied by the Offeror. The issue of this Composite Document has been approved by the sole director of Offeror, who accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Board) 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.

The information contained in this Composite Document relating to the Group has been supplied by the Company. The issue of this Composite Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror Concert Party Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of each of the Offeror and King Terrace) 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. INTERESTS AND DEALINGS IN THE SHARES OF THE OFFEROR

(a) Interests in shares of the Offeror

As at the Latest Practicable Date, the Offeror has in issue one share that is legally and beneficially owned by Mr. Hui CL. Save as aforesaid, as at the Latest Practicable Date, neither the Company or any Directors has any interest in any of the shares of the Offeror or convertible securities, warrants, options or derivatives in respect of such shares of the Offeror.

(b) Dealing in the shares of the Offeror

No person has dealt for value in any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period.

3. SHARE CAPITAL OF THE COMPANY

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

<i>Authorized:</i>		<i>HK\$</i>
1,000,000,000	Shares of HK\$0.01 each	10,000,000.00
<i>Issued and fully paid up:</i>		<i>HK\$</i>
755,096,557	Shares of HK\$0.01 each	7,550,965.57

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares are listed on the main board of the Stock Exchange and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 December 2020, being the end of the last financial year of the Company, and up to and including the Latest Practicable Date, the Company has not issued any Shares.

As at the Latest Practicable Date, the outstanding number of Options in respect of the Share Option Scheme was 11,260,000, of which 4,740,000 Options have an exercise price of HK\$2.56 and 6,520,000 have an exercise price of HK\$2.31. Among the 4,740,000 Options with the exercise price of HK\$2.56, 2,370,000 Options have an exercise period from 7 June 2019 to 6 June 2022 and the remaining 2,370,000 Options have an exercise period from 7 June 2020 to 6 June 2022. Among the 6,520,000 Options with the exercise price of HK\$2.31, 3,260,000 Options have an exercise period from 17 August 2020 to 16 August 2023 and the remaining 3,260,000 Options have an exercise period from 17 August 2021 to 16 August 2023. If all such Options were exercised, a total of 11,260,000 Shares would be issued.

As at the Latest Practicable Date, save as disclosed above, the Company had no outstanding options, warrants, derivatives or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into the Shares.

4. DISCLOSURE OF INTERESTS IN THE SHARES

(a) Director's interests

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the Shares and underlying Shares as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below:

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in the Company
Mr. Hui CL	Interests of controlled corporations/ corporate interest (<i>Note 1</i>)	248,315,905	32.89%
Mr. Sze Man Bok	Founder of discretionary trust	45,645,799	6.05%
	Beneficial owner (<i>Note 2</i>)	<u>115,120</u>	<u>0.02%</u>
		45,760,919	6.07%
Mr. Wu HL	Interests of controlled corporations	35,214,895	4.66%
	Beneficial owner (<i>Note 3</i>)	<u>628,000</u>	<u>0.08%</u>
		35,842,895	4.74%
Mr. Wong Wai Leung	Beneficial owner (<i>Note 4</i>)	240,000	0.03%
Mr. Wu Wenxu	Beneficial owner (<i>Note 5</i>)	220,000	0.03%

Notes:

- (1) These 248,315,905 Shares are held and owned by Sure Wonder Limited, which is wholly owned by Mr. Hui CL and accordingly, Mr. Hui CL is deemed to be interested in the said 248,315,905 Shares.
- (2) These 45,760,919 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (“**Tin Lee**”) and 115,120 Shares held and owned by Mr. Sze Man Bok. Tin Lee is a wholly owned subsidiary of Tin Wing Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze’s Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze’s Family Trust and accordingly, is deemed to be interested in the said 45,645,799 Shares.
- (3) These 35,842,895 Shares comprise (i) 35,214,895 Shares held and owned by Easy Success International Investment Limited (“**Easy Success**”), which is wholly owned by Mr. Wu Huolu; and (ii) 628,000 Shares held and owned by Mr. Wu Huolu. Mr. Wu Huolu is deemed to be interested in the said 35,214,895 Shares held by Easy Success accordingly.
- (4) These are Options granted under Share Option Scheme exercisable into (a) 120,000 Shares at an exercise price of HK\$2.56, of which 60,000 Options are exercisable from 7 June 2019 to 6 June 2022 and the remaining 60,000 Options are exercisable from 7 June 2020 to 6 June 2022; and (b) 120,000 Shares at an exercise price of HK\$2.31, of which 60,000 Options are exercisable from 17 August 2020 to 16 August 2023 and the remaining 60,000 Options are exercisable from 17 August 2021 to 16 August 2023.
- (5) These are Options granted under Share Option Scheme exercisable into (a) 120,000 Shares at an exercise price of HK\$2.56, of which 60,000 Options are exercisable from 7 June 2019 to 6 June 2022 and the remaining 60,000 Options are exercisable from 7 June 2020 to 6 June 2022; and (b) 100,000 Shares at an exercise price of HK\$2.31, of which 50,000 Options are exercisable from 17 August 2020 to 16 August 2023 and the remaining 50,000 Options are exercisable from 17 August 2021 to 16 August 2023.

References to directors being “interested” in shareholdings are interpreted in the manner described in Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or be notified to Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, or be disclosed pursuant to requirements of the Takeovers Code.

All of the Directors who hold any Shares are members of the Offeror Concert Party Group. As such, none of the Shares held by the Directors are subject to the Share Offer.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, other persons' interests in the Shares and underlying Shares (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Offeror	Beneficial owner (<i>Note 1</i>)	248,315,905	32.89%
Seletar Limited	Interests of controlled corporations (<i>Note 2</i>)	53,834,099	7.13%
Serangoon Limited	Interests of controlled corporations (<i>Note 2</i>)	53,834,099	7.13%
Credit Suisse Trust Limited	Trustee (<i>Note 2</i>)	53,834,099	7.13%
Tin Lee Investments Limited	Beneficial owner (<i>Note 2</i>)	45,645,799	6.05%
Tin Wing Holdings Limited	Interests of controlled corporations (<i>Note 2</i>)	45,645,799	6.05%

Notes:

- (1) Sure Wonder Limited (the Offeror) is directly wholly and beneficially owned by Mr. Hui Ching Lau, an executive Director and the Chairman of the Company.
- (2) Tin Lee Investments Limited is a wholly owned subsidiary of Tin Wing Holdings Limited, which is in turn owned as to 50% by each of Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is the settlor and beneficiary of the Sze's Family Trust and accordingly, is deemed to be beneficially interested in the Shares held by Tin Lee Investments Limited. Mr. Sze Man Bok is also interested in 115,120 Shares held directly by him. Mr. Sze Man Bok is a non-executive Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, no person had any interests in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Stock Exchange.

(c) Interests of the Offeror Concert Party Group

As of the Latest Practicable Date, save in respect of the 348,795,183 Shares which the Offeror, King Terrace (Note 1), Mr. Hui CL (Note 1), Tin Lee Investments Limited (Note 2 and 6), Mr. Sze Man Bok (Note 2 and 6), Easy Success (Note 3), Mr. Wu HL (Note 3) and Ms. Cai Liqiong (Note 4) are interested in as disclosed and interests of Mr. Wong Wai Leung (Note 5) and Mr. Wu Wenxu (Note 7) in 460,000 Options granted under the Share Option Scheme exercisable into 460,000 Shares, no member of the Offeror Concert Party Group owned or controlled any Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group. The principal members of the Offeror Concert Party Group include the Offeror, King Terrace, Mr. Hui CL, Tin Lee Investments Limited, Mr. Sze Man Bok, Easy Success, Mr. Wu HL, Ms. Cai Liqiong, Mr. Wong Wai Leung and Mr. Wu Wenxu.

Notes:

- (1) The Offeror is directly wholly and beneficially owned by Mr. Hui CL, an executive Director and the Chairman of the Company. Mr. Hui CL does not directly hold any Share or Option. Mr. Hui CL is presumed to be acting in concert with the Offeror under Class (8). King Terrace is wholly and beneficially owned by Mr. Hui CL and is a de facto concert party and presumed to be acting in concert with the Offeror under Class (8) and Class (9), and is not interested in any Shares, Options or derivatives of the Company as at the date of this Composite Document;
- (2) Tin Lee Investments Limited is a wholly owned subsidiary of Tin Wing Holdings Limited, which is in turn owned as to 50% by Seletar Limited and 50% by Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is the settlor and beneficiary of the Sze's Family Trust and accordingly, is deemed to be beneficially interested in the Shares held by Tin Lee Investments Limited. Mr. Sze Man Bok is also interested in 115,120 Shares held directly by him. Mr. Sze Man Bok is a non-executive Director of the Company and both Tin Lee Investments Limited and Mr. Sze Man Bok is a de facto concert party of the Offeror based on his long-standing business relationship at Hengan with Mr. Hui LC, the father of Mr. Hui CL;
- (3) Easy Success is a company directly wholly and beneficially owned by Mr. Wu HL, an non-executive Director of the Company. Mr. Wu HL also directly holds 628,000 Shares. Mr. Wu YD is Mr. Wu HL's brother. Mr. Wu HL is a de facto concert party of the Offeror based on his long-standing business relationship at the Group with Mr. Hui CL since 2003 as Mr. Wu HL was a founder of the Group. Mr. Wu YD and Easy Success are presumed to be acting in concert with Mr. Wu HL under Class (8);
- (4) Ms. Cai Liqiong is the beneficial owner of 18,875,464 Shares, representing 2.50% shareholding of the Company. Ms. Cai Liqiong is the wife of Mr. Wu YD and therefore is presumed to be acting in concert with Mr. Wu YD under Class (8);
- (5) Mr. Wong Wai Leung holds and owns 240,000 Options. Mr. Wong Wai Leung is an executive Director of the Company and also a director of Lianjie Sports Investments Limited who is accustomed to act in accordance with the instructions of Mr. Hui CL, which is wholly and beneficially owned by Mr. Hui CL. He is presumed to be acting in concert with the Offeror under Classes (6) and (8);

- (6) By way of background, Mr. Hui LC and Mr. Sze Man Bok, as founders, established Hengan in 1985. In 2008, Hengan indirectly acquired a 51% interest in QinQin BVI which was the predecessor of the Group. In 2016, the Company was spun-off from Hengan by way of distribution in specie;
- (7) Mr. Wu Wenxu holds and owns 220,000 Options. Mr. Wu Wenxu is an executive Director of the Company. He is presumed to be acting in concert with the Offeror under Class (6); and
- (8) Immediately upon the Closing Date, Mr. Wu Wenxu will no longer be presumed to be acting in concert with the Offeror/Mr. Hui CL as the presumption under Class (6) will no longer apply.

(d) Interests of Director of Offeror

Save in respect of the 248,315,905 Shares which Mr. Hui CL are interested in as disclosed above, as of the Latest Practicable Date, no director of the Offeror owned or controlled any shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group.

(e) Other Interests

As at the Latest Practicable Date,

- (1) none of the subsidiaries of the Company, any pension fund of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (2) no person who had such an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror Concert Party Group or with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (3) no Shares or any convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (4) none of the the Offeror Concert Party Group, the Company or any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which had been either on-lent or sold;

- (5) save for the Irrevocable Undertaking, there is no person who, prior to the Latest Practicable Date, have irrevocably committed himself to accept or reject the Share Offer or Option Offer; and
- (6) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholders; and (b) (i) any member of the Offeror Concert Party Group, or (b)(ii) the Company, its subsidiaries or associated companies.

5. DEALINGS IN THE SHARES

During the Relevant Period,

- (a) none of the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (b) none of the Directors had dealt for value in any Shares or convertible securities, warrants, options, or derivatives in respect of any Shares;
- (c) no member of the Offeror Concert Party Group (excluding exempt principal traders) had dealt for value in Shares or other convertible securities, warrants, options and derivatives in respect of any Shares;
- (d) none of the director of the Offeror had dealt for value in Shares or other convertible securities, warrants, options and derivatives in respect of any Shares;
- (e) and up to the Latest Practicable Date, none of the subsidiaries of the Company, any pension fund of the Group or or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) and up to the Latest Practicable Date, no person who had such an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code, or any associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code has dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and

- (g) and up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

6. OTHER ARRANGEMENTS AND AGREEMENTS

Save and except for the Irrevocable Undertakings:

- (a) as at the Latest Practicable Date, none of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Share Offer.
- (b) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Share Offer.
- (c) as at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Share Offer.
- (d) as at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 of Rule 22 of the Takeovers Code between the Offeror or any person acting in concert with it or any of their other associates, and any other person.
- (e) as at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person.
- (f) as at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any of the Directors has a material personal interest.
- (g) as at the Latest Practicable Date, neither the Offeror nor or any person acting in concert with it has any agreement, arrangement for or understanding for any transfer, charge or pledge of Shares acquired pursuant to the Share Offer to any other person.
- (h) as at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer.

7. MARKET PRICES OF THE SHARES

- (a) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.48 on 19 February 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.20 on 21 December 2020.
- (b) The table below sets out the closing prices of the Shares as quoted by the Stock Exchange: (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) on the last business day of each of the six calendar months immediately preceding the commencement of the Offer Period and ending on the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
30 October 2020	2.40
30 November 2020	2.25
31 December 2020	2.37
29 January 2021	2.37
26 February 2021	2.35
31 March 2021	2.30
7 April 2021 (Last Trading Day)	2.30
30 April 2021	2.25
18 May 2021 (Latest Practicable Date)	2.26

8. DIRECTORS' SERVICE CONTRACTS

Save as disclosed in this section 8, 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) are fixed term contracts with more than 12 months to run irrespective of notice period; (ii) has been entered into and amended within six months before the commencement of the Offer Period; or (iii) are continuous contracts with a notice period of 12 months or more.

Director	Commencement date of the service contract	Expiry date of the service contract	Amount of remuneration payable under the service contract
Mr. Hui LC	8 July 2019	For a term of three years commencing on 8 July 2019, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	HK\$60,000 per annum, plus discretionary bonus
Mr. Sze Man Bok	8 July 2019	For a term of three years commencing on 8 July 2019, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	HK\$60,000 per annum, plus discretionary bonus
Mr. Wu HL	8 July 2019	For a term of three years commencing on 8 July 2019, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	HK\$60,000 per annum, plus discretionary bonus

Director	Commencement date of the service contract	Expiry date of the service contract	Amount of remuneration payable under the service contract
Mr. Wu Sichuan	8 July 2019	For a term of three years commencing on 8 July 2019, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	HK\$60,000 per annum, plus discretionary bonus
Mr. Wu Yinhang	8 July 2019	For a term of three years commencing on 8 July 2019, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	HK\$60,000 per annum, plus discretionary bonus
Mr. Hui CL	16 May 2020	For a term commencing on 16 May 2020 and expiring on 7 July 2022, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	HK\$60,000 per annum, plus discretionary bonus

Director	Commencement date of the service contract	Expiry date of the service contract	Amount of remuneration payable under the service contract
Mr. Wong Wai Leung	8 July 2019	For a term of three years commencing on 8 July 2019, which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	Fixed annual salary of HK\$2,158,000 and director's fee of HK\$60,000 per annum, plus discretionary bonus
Mr. Wu Wenxu	8 December 2020	For a term of three years commencing on 8 December 2020 which may be terminated by not less than one month's notice in writing served by either party and subject to retirement by rotation and re-election in accordance with the articles of association of the Company	Fixed annual salary of RMB382,200 and director's fee of HK\$60,000 per annum, plus discretionary bonus

The discretionary bonus disclosed above are not determined by any specific formula but are subject to the Board's discretion from time to time. Save as disclosed above, no variable remuneration (e.g. commission on profit) is payable to the relevant Directors under the Directors' service contracts disclosed in this section 8.

9. MATERIAL LITIGATION

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

10. MATERIAL CONTRACTS

The material contracts that have been entered into by the Group (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group) during the period within the two years before the commencement of the Offer Period and up to the Latest Practicable Date are the Subscription Agreements, all dated 22 December 2020 and entered into between the Company and each of the Subscribers, pursuant to which the Subscribers have agreed to subscribe for an aggregate of 80,000,000 Shares at HK\$2.2 per share.

11. EXPERTS

The following are the qualifications of each of the experts who have been named in this Composite Document or who have given their opinion or advice, which is contained in this Composite Document:

Name	Qualifications
Asset Appraisal Limited	Independent property valuer
Deloitte Corporate Finance	a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Share Offer
Global Law Office	PRC legal adviser
Opus Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the Independent Financial Adviser to the Independent Board Committee

12. CONSENTS

Each of Asset Appraisal Limited, Deloitte Corporate Finance, Global Law Office and Opus Capital has given and has not withdrawn their respective consents to the issue of this Composite Document with the inclusion in this Composite Document of the text of their respective letters and references to their names in the form and context in which they are included.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the websites of the Company (www.fjqinqin.com) and the SFC (www.sfc.hk) and at the principal place of business in Hong Kong of the Company at Unit 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays) from the date of this Composite Document until the Closing Date or the date on which the Share Offer is withdrawn or lapsed, whichever is the earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the three years ended 31 December 2020;

- (d) the “Letter from Deloitte Corporate Finance”, the text of which is set out on pages 7 to 17 of this Composite Document;
- (e) the letter from the Board, the text of which is set out on pages 18 to 23 of this Composite Document;
- (f) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this Composite Document;
- (g) the letter of advice from Opus Capital, the text of which is set out on pages 26 to 51 of this Composite Document;
- (h) the letter and full property valuation report of the Group (including the valuation certificates) prepared by Asset Appraisal Limited as set out in Appendix III of this Composite Document;
- (i) the Directors’ service contracts as referred to the section headed “Directors’ Service Contracts”;
- (j) the letter of written consents as referred to in the section headed “Consents” in this Appendix IV;
- (k) the material contracts as referred to in the section headed “Material Contracts” in this Appendix IV; and
- (l) the Irrevocable Undertakings.

14. MISCELLANEOUS

- (a) The Offeror was incorporated in the British Virgin Islands on 13 January 2011 and is wholly legally and beneficially owned by Mr. Hui CL.
- (b) The registered office of the Offeror is at Vistra Corporate Services Centre, Wickham Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (c) King Terrace was incorporated in British Virgin Islands on 6 July 2012 and is wholly legally and beneficially owned by Mr. Hui CL.
- (d) The registered office of King Terrace is at Vistra Corporate Services Centre, Wickham Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (e) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The head office of the Company in the PRC is Wuli Industrial Park, Jinjiang City, Fujian Province, The PRC. The principal place of business in Hong Kong of the Company is Unit 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

- (f) The share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) The address of Mr. Hui CL and Mr. Hui LC is Flat D, 19/F, The Gloucester, 212 Gloucester Road, Wan Chai, Hong Kong.
- (h) The address of Mr. Sze Man Bok is Flat A, 21/F, Carnation Court, 41-47 Tai Hang Road, Causeway Bay, Hong Kong.
- (i) The address of Mr. Wu Huolu is No. 10, Yanling Road, Wudai Village, Anhai Town, Jinjiang City, Fujian Province, PRC.
- (j) As at the Latest Practicable Date, the sole director of the Offeror is Mr. Hui Ching Lau.
- (k) As at the Latest Practicable Date, the sole director of King Terrace is Mr. Hui Ching Lau.
- (l) As at the Latest Practicable Date, the board of directors of the Company comprises Mr. Hui CL, Mr. Sze Man Bok, Mr. Wu Wenxu, Mr. Wu HL, Mr. Wu Sichuan, Mr. Wu Yinhang, Mr. Hui LC, Mr. Wong Wai Leung, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil.
- (m) The principal place of business of Deloitte Corporate Finance is at 39th Floor, One Pacific Place, 88 Queensway, Hong Kong.
- (n) The English language text of this Composite Document and the Form of Acceptance shall prevail over the Chinese language text.