
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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.

EXPLORER ROSY LIMITED

拓陸有限公司

(Incorporated in the British Virgin Islands with limited liability)



Qianhai Health Holdings Limited

前海健康控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY CONDITIONAL CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF EXPLORER ROSY LIMITED TO
ACQUIRE ALL OF THE ISSUED SHARES OF
QIANHAI HEALTH HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY EXPLORER ROSY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Offeror



**Independent Financial Adviser to
the IBC and the Independent Shareholders**

Nuada Limited

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

A letter from Haitong International Securities containing, among other things, the terms of the Offer is 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 IBC containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 24 to 25 of this Composite Document. A letter from Nuada containing its advice on the Offer to the IBC and the Independent Shareholders is set out on pages 26 to 43 of this Composite Document.

The procedures for acceptance and settlement of the Offer and related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event by no later than 4:00 p.m. on Thursday, 2 May 2019 or such later time(s) and/or date(s) 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.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the section headed "Important Notice", sub-paragraph headed "Overseas Shareholders" under the paragraph headed "The Offer" in the "Letter from Haitong International Securities" on pages 11 to 12 of this Composite Document and the paragraph headed "Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.qianhaihealth.com.hk>) as long as the Offer remains open.

11 April 2019

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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 jointly announced by the Offeror and the Company. Unless otherwise expressly stated, all references to the times and dates contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong times and dates.

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement date of the Offer (*Note 1*) Thursday, 11 April 2019

Commencement date of the Offer Thursday, 11 April 2019

Latest time and date for acceptance of the Offer
on the first Closing Date (*Note 2*) 4:00 p.m. on
Thursday, 2 May 2019

First Closing Date (*Note 2*) Thursday, 2 May 2019

Announcement of the results of the Offer
as at the first Closing Date, to be posted
on the website of the Stock Exchange and
the Company (*Note 2*) No later than 7:00 p.m.
on Thursday, 2 May 2019

Latest date for posting of remittances in respect
of valid acceptances received under
the Offer on the first Closing Date
assuming the Offer becomes or is declared unconditional
on the first Closing Date (*Note 3*) Tuesday, 14 May 2019

Latest time and date for acceptance of the Offer
on the final Closing Date assuming the Offer
becomes or is declared unconditional
on the first Closing Date (*Note 4*) 4:00 p.m. on
Thursday, 16 May 2019

Final Closing Date (*Note 4*) Thursday, 16 May 2019

Announcement of the results of the Offer
as at the final Closing Date,
to be posted on the website of the Stock Exchange No later than 7:00 p.m.
on Thursday, 16 May 2019

EXPECTED TIMETABLE

Latest time and date by which the Offer
can become or be declared unconditional
as to acceptances (*Note 5*) Monday, 10 June 2019

Notes:

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.
2. The latest time and date for acceptance will be at 4:00 p.m. on Thursday, 2 May 2019 being 21 days from the date of posting of this Composite Document, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Thursday, 2 May 2019 stating whether the Offer has been extended or revised. In the event that the Offeror decides to revise or extend the Offer, at least fourteen (14) days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. An acceptor shall be entitled to withdraw his acceptance of the Offer after 21 days from the first Closing Date if the Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances. Please refer to the paragraph headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
4. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next Closing Date or, if the Offer has become or is unconditional at that time, that the Offer will remain open until further notice.
5. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on Monday, 10 June 2019, being the 60th day after the day this Composite Document was posted. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Monday, 10 June 2019, unless extended with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offer can become or be declared unconditional in all respects is Monday, 10 June 2019.

IMPORTANT NOTICE

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert with it, the Company, Haitong International Capital, Haitong International Securities, Nuada, the Registrar, and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the sub-paragraph headed “Taxation advice” under the paragraph headed “The Offer” in the “Letter from Haitong International Securities” in this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” 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. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

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

“2018 Annual Results Announcement”	the announcement of the annual results of the Company for the year ended 31 December 2018 published by the Company on 29 March 2019
“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associate(s)”	the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Baker Tilly”	Baker Tilly Hong Kong Limited, the auditors of the Company
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Closing Date”	Thursday, 2 May 2019, being the first closing date of the Offer which is 21 days following the date on which this Composite Document is posted (or such other date as revised or extended in accordance with the Takeovers Code)
“Company”	Qianhai Health Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 911)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the SPA
“Completion Date”	1 February 2019, the date on which the Completion took place

DEFINITIONS

“Composite Document”	this composite offer and response document dated 11 April 2019 jointly issued by or on behalf of the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code in respect of the Offer containing, among other things, the details of the Offer (accompanied by the Form of Acceptance) and the letter of recommendation from the IBC and the letter of advice from the Independent Financial Adviser
“Directors”	the directors of the Company and the term “Director” shall be construed accordingly
“Encumbrance”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Facility”	a facility granted by Haitong International Securities in favor of the Offeror of which is secured by a charge over that Shares that were acquired by the Offeror under the SPA and will be acquired by the Offeror under the Offer respectively
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer (accompanying this Composite Document)
“Great Prosperous”	Great Prosperous Limited, a company incorporated in BVI with limited liability, and wholly owned by Mr. Huang

DEFINITIONS

“Group”	the Company and its subsidiaries
“Haitong International Capital”	Haitong International Capital Limited, the financial adviser of the Offeror and parties acting in concert with it in respect of the Offer, and is a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities
“Haitong International Securities”	Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	an independent committee of the Board established pursuant to the Takeovers Code to give recommendations to the Shareholders other than the Offeror and parties acting in concert with it as to whether the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the IBC and the Shareholders other than the Offeror and parties acting in concert with it on the Offer
“Independent Shareholders”	Shareholders, other than the Offeror and parties acting in concert with it, and the term “Independent Shareholder” shall be construed accordingly
“Joint Announcement”	the announcement dated 24 January 2019 jointly issued by the Company and the Offeror in relation to, among other things, the SPA and the Offer

DEFINITIONS

“Last Trading Day”	23 January 2019, being the last trading day for the Shares prior to the release of the Joint Announcement
“Latest Practicable Date”	8 April 2019, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Huang”	Mr. Huang Guanchao, a director and ultimate beneficial owner of the Offeror, holding 80% interest in the Offeror
“Mr. Lim”	Mr. Lim Tzea, a director and ultimate beneficial owner of the Offeror, holding 20% interest in the Offeror
“Noble Stand”	Noble Stand Global Limited, a company incorporated in BVI with limited liability, and wholly owned by Mr. Lim
“Offer”	the mandatory conditional cash offer made by Haitong International Securities for and on behalf of the Offeror to acquire all the Offer Shares in accordance with the terms and conditions set out in this Composite Document
“Offer Period”	the period from the date of the Joint Announcement until the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Price”	the price per Offer Share at which the Offer is being made in cash, being HK\$0.25 per Offer Share
“Offer Shares”	all the Shares in issue, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Explorer Rosy Limited, a company incorporated in BVI with limited liability
“Overseas Shareholders”	Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong and the term “Overseas Shareholder” shall be construed accordingly

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purposes of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Profit Warning”	the profit warning set out in the announcement of the Company dated 9 January 2019
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 24 July 2018, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Relevant Securities”	has the meaning ascribed thereto in the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	805,688,000 Shares beneficially owned by the Vendor immediately prior to the Completion and sold to the Offeror pursuant to the terms and conditions of the SPA
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares and the term “Shareholder” shall be construed accordingly
“Shares”	ordinary shares of HK\$0.04 each in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares and the term “Share” shall be construed accordingly
“SPA”	the sale and purchase agreement dated 24 January 2019, entered into between the Vendor and the Offeror for the sale and purchase of the Sale Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“Thousands Beauties”	Thousands Beauties Limited, a company incorporated in BVI with limited liability, and wholly owned by Mr. Lim
“Vendor”	Super Generation Group Ltd., a company incorporated in BVI with liability limited by shares and is owned as to 100% by Mr. George Lu, an executive Director of the Company
“%”	per cent

LETTER FROM HAITONG INTERNATIONAL SECURITIES



11 April 2019

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF EXPLORER ROSY LIMITED TO
ACQUIRE ALL OF THE ISSUED SHARES OF
QIANHAI HEALTH HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY EXPLORER ROSY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 24 January 2019, the Offeror and the Company jointly announced that on 24 January 2019, the Offeror as purchaser entered into the SPA, pursuant to which, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to acquire an aggregate of 805,688,000 Shares, being the Sale Shares, representing approximately 47.6% of the issued share capital of the Company as at the date of the Joint Announcement, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, at the consideration of HK\$201,422,000, equivalent to HK\$0.25 per Sale Share. The consideration was paid in cash by the Offeror to the Vendor on Completion.

All conditions precedent to the SPA were satisfied and the Completion of the SPA took place on 1 February 2019.

Immediately after Completion, which took place on 1 February 2019, and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 805,688,000 Shares, representing approximately 47.6% of the entire issued share capital of the Company. Accordingly, the Offeror was required under Rule 26.1 of the Takeovers Code to make a mandatory conditional general offer in cash for all the issued Shares other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

This letter forms part of this Composite Document and sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offer and the procedures for acceptance are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders and the "Letter from Nuada" to the IBC as contained in this Composite Document. Independent Shareholders should consider carefully the information contained in this letter, the letter from the Board, the letter from the IBC, the letter from Nuada and the Appendices to this Composite Document and consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Haitong International Securities, for and on behalf of the Offeror, makes the Offer in compliance with the Takeovers Code and on the terms set out in this Composite Document on the following basis:

For each Offer Share HK\$0.25 in cash

The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

The Offer may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

The Offer Price is the same as the price payable by the Offeror for each Share under the SPA.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this Composite Document. Further details of the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

Value of the Offer

As at the Latest Practicable Date, there are 1,692,760,000 Shares in issue, of which 805,688,000 Shares (representing approximately 47.6% of the issued share capital of the Company) are held by the Offeror and parties acting in concert with it upon Completion. There are no outstanding warrants, options, derivatives or other securities convertible into Shares and the Company has not entered into any agreement for the issue of such warrants, options, derivatives or other securities convertible into Shares as at the Latest Practicable Date.

On the basis of the Offer Price of HK\$0.25 per Offer Share and 1,692,760,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company would be valued at HK\$423,190,000. On the assumption that the Offer is accepted in full by the holders of the Offer Shares and on the basis that there will be 887,072,000 Offer Shares, the value of the Offer is HK\$221,768,000.

Comparison of value

The Offer Price of HK\$0.25 per Offer Share represents:

- (i) a premium of approximately 3.3% over the closing price of HK\$0.242 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK\$0.244 per Share;
- (iii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of HK\$0.25 per Share;
- (iv) a discount of approximately 6.0% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.266 per Share;
- (v) the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 36.4% to the audited consolidated net asset value per Share of the Company of approximately HK\$0.393 as at 31 December 2017 (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 December 2017 of approximately HK\$665,503,000 by 1,692,760,000 Shares in issue as at the Latest Practicable Date);

LETTER FROM HAITONG INTERNATIONAL SECURITIES

- (vii) a discount of approximately 35.2% to the unaudited consolidated net asset value per Share of the Company of approximately HK\$0.386 as at 30 June 2018 (which is calculated by dividing the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2018 of approximately HK\$652,587,000 by 1,692,760,000 Shares in issue as at the Latest Practicable Date).
- (viii) a discount of approximately 33.3% to the audited consolidated net asset value per Share of the Company of approximately HK\$0.375 as at 31 December 2018 (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 December 2018 of approximately HK\$635,557,000 by 1,692,760,000 Shares in issue as at the Latest Practicable Date).

Highest and lowest Share price

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.71 per Share on 25 July 2018; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.238 per Share on 21 January 2019.

Financial resources available for the Offer

The total consideration payable under the Offer shall be payable in cash. The Offeror intends to finance the total consideration payable under the Offer by the internal cash resources of the Offeror and the Facility provided by Haitong International Securities which are secured by the charges over the Shares (the “**Charged Shares**”) that were or will be acquired by the Offeror under the SPA and the Offer respectively in favour of Haitong International Securities (the “**Share Charges**”). Pursuant to the terms and conditions of the Share Charges, until the occurrence of any enforcement event as stipulated under the Share Charges, the Offeror shall be entitled to exercise all voting and other rights and powers attaching to the Charged Shares, provided that it must not do so in a manner which has the effect of changing the terms of the Charged Shares or their related rights in a manner which is adverse to the interests of Haitong International Securities or is prejudicial to the interests of Haitong International Securities.

Haitong International Capital, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy its maximum payment obligations upon full acceptance of the Offer.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility granted by Haitong International Securities to be dependent on the business of the Group.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

Payment

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

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent. Save for payment of stamp duty as set out in this Composite Document, settlement of the amounts due to the accepting Independent Shareholders will be implemented in full without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be entitled against such Independent Shareholder.

Effect of accepting the Offer

By accepting the Offer, the Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching or accruing thereto, including all rights to receive any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are free from all Encumbrances and together with all rights attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this Composite Document.

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

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

LETTER FROM HAITONG INTERNATIONAL SECURITIES

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

Hong Kong stamp duty

The seller's Hong Kong *ad valorem* stamp duty on acceptance of the Offer at a rate of 0.1% of the consideration payable in respect of the acceptance by the Shareholders or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's Hong Kong *ad valorem* stamp duty on behalf of the relevant Shareholders who accept the Offer and pay its own portion of buyer's Hong Kong *ad valorem* stamp duty in connection with the acceptance of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Haitong International Capital and Haitong International Securities and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in BVI with limited liability on 12 August 2015, the shares of which are owned as to 80% by Great Prosperous, 10% by Thousands Beauties and 10% by Noble Stand. Great Prosperous is wholly owned by Mr. Huang Guanchao ("**Mr. Huang**"), while both Thousands Beauties and Noble Stand are wholly owned by Mr. Lim Tzea ("**Mr. Lim**"). Therefore, Mr. Huang and Mr. Lim are the ultimate beneficial owners of the Offeror.

Mr. Huang and Mr. Lim are the only two directors of the Offeror. Mr. Huang is the sole director of Great Prosperous. Mr. Lim is the sole director of each of Thousands Beauties and Noble Stand.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

Mr. Huang, aged 44, has over 19 years of management experience in international trading and distribution of electronic components. From 1999 to 2003, Mr. Huang operated an electronic components trading company individually. Subsequently in 2003, Mr. Huang, together with other business partners, founded a Hong Kong-based global electronic components trading and distribution group (the “**Trading and Distribution Group**”), the Trading and Distribution Group supplies electronic components to customers including sizeable manufacturing groups and technology companies. Since the establishment of the Trading and Distribution Group, Mr. Huang has been the Trading and Distribution Group’s CEO, managing its business with presence in Hong Kong, PRC and Southeast Asia. In 2005, Mr. Huang, together with other business partners, established another manufacturing and trading group, which businesses include the manufacturing of semiconductor products of a well-known brand that are sold to different markets including Hong Kong, the PRC, Taiwan and other Asian countries. Mr. Huang has been the standing director of Shenzhen Chao Shan Chamber of Commerce from December 2011 until now.

Mr. Lim, aged 51, has over 21 years of management experience in international trading and distribution of electronic components. From 1997 to 2002, Mr. Lim was the General Manager of an electronic components trading company based in Singapore, mainly responsible for the company’s trading business in various Southeast Asian countries. Mr. Lim was the General Manager of another Singapore based electronic components trading company from 2003 to 2008, mainly responsible for managing and supervising the company’s operation of the trading business in Hong Kong and the PRC. Since 2009, Mr. Lim is one of the key management personnel and one of shareholders of an international trading company based in Singapore, being responsible for the management of the company’s trading business in Singapore, Hong Kong, the PRC and Vietnam.

The Offeror did not carry on any business since its incorporation until the entering of the SPA and the transactions in connection therewith.

INFORMATION OF THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in sales of health products which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

Set out below is a summary of certain audited consolidated financial information of the Group for the years respectively ended 31 December 2016, 2017 and 2018 as disclosed in the respective published annual reports or result announcements of the Company:

	For the year ended 31 December 2016 (audited) <i>HK\$'000</i>	For the year ended 31 December 2017 (audited) <i>HK\$'000</i>	For the year ended 31 December 2018 (audited) <i>HK\$'000</i>
Revenue	354,385	197,062	78,047
(Loss)/profit before income tax	(564,487)	35,920	(5,016)
(Loss)/profit for the year	(525,862)	35,861	5,033
	As at	As at	As at
	31 December	31 December	31 December
	2016	2017	2018
	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets attributable to owners of the Company	619,904	665,503	635,557
Net assets	619,901	672,703	635,557

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

INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

Following the close of the Offer, the Offeror intends to continue the existing principal business of the Group and maintain the listing status of the Company on the Main Board of the Stock Exchange.

The Offeror will conduct a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

Subject to the results of the review, the Offeror may explore other business opportunities for the Company, which include the business of electronic components and international trading, and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. Further, the Offeror has no intention to discontinue the employment of the employees (save for the change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of five Directors, comprising two executive Directors, being Mr. George Lu and Mr. Wong Kwok Ming, and three independent non-executive Directors, being Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.

It is intended that Mr. George Lu and Mr. Wong Kwok Ming will resign with effect from the earliest time permitted under the Takeovers Code. The Offeror intends to appoint Mr. Huang and Mr. Lim as new executive directors of the Company with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, the Offeror has not decided on the future composition of the Board. The day-to-day operations of the Company will continue to be managed by the professional management staff. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement will be made by the Company as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the Company to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer. The directors of the Offeror and the new executive directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following closing of the Offer.

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

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

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

LETTER FROM HAITONG INTERNATIONAL SECURITIES

In this connection, it should be noted that following the close of the Offer, there might be insufficient public float of the Shares and therefore, trading in the Shares might be suspended until sufficient public float exists in the Shares.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the paragraph headed “General procedures for acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

COMPULSORY ACQUISITION

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

GENERAL

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

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and parties acting in concert with it, the Company, Haitong International Capital, Haitong International Securities, Nuada and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

LETTER FROM HAITONG INTERNATIONAL SECURITIES

ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of

Haitong International Securities Company Limited

Chen Xuan

Managing Director

LETTER FROM THE BOARD



Qianhai Health Holdings Limited

前海健康控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

Executive Directors:

Mr. George Lu

Mr. Wong Kwok Ming

Independent non-executive Directors:

Mr. Yuen Chee Lap Carl

Mr. Wu Wai Leung Danny

Mr. Li Wei

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

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

Room 301-3, 3/F

Wing Tuck Commercial Centre

177-183 Wing Lok Street

Sheung Wan, Hong Kong

11 April 2019

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF EXPLORER ROSY LIMITED TO
ACQUIRE ALL OF THE ISSUED SHARES OF
QIANHAI HEALTH HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY EXPLORER ROSY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other matters, the SPA and the Offer. Terms used in this letter have the same meaning as defined in this Composite Document unless the context otherwise requires.

LETTER FROM THE BOARD

As mentioned in the Joint Announcement, pursuant to the SPA entered into between the Vendor and the Offeror on 24 January 2019, the Vendor has conditionally agreed to sell and the Offeror has conditionally agreed to acquire an aggregate of 805,688,000 Shares, being the Sale Shares, representing 47.6% of the issued share capital of the Company as at the date of the Joint Announcement and as at the Latest Practicable Date, at a total consideration of HK\$201,422,000, equivalent to HK\$0.25 per Sale Share. Completion took place on 1 February 2019.

Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in, and controlled the voting rights in respect of an aggregate of 805,688,000 Shares, representing approximately 47.6% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, subject to the Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Further terms of the Offers and the procedures of acceptance are set out in the “Letter from Haitong International Securities” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the letter of advice from the IBC to the Independent Shareholders and the Shareholders and the letter of advice from the Independent Financial Adviser to the IBC in relation to the Offer.

IBC AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the IBC, comprising all the independent non-executive Directors, namely Mr. Yuen Chee Lap Carl, Mr. Wu Wai Leung Danny and Mr. Li Wei has been established to make a recommendation as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer. As at the Latest Practicable Date, each of the independent non-executive Directors have no other direct or indirect interest in the Offer.

Nuada has been appointed as the Independent Financial Adviser to advise the IBC on the Offer as to whether or not the Offer are fair and reasonable so far as the Independent Shareholders and the Shareholders are concerned and as too the acceptance of the Offers. The appointment of the Independent Financial Adviser has been approved by the IBC in accordance with the Rule 2.1 of the Takeovers Code.

LETTER FROM THE BOARD

THE OFFER

As disclosed in the section headed “Letter from Haitong International Securities” in this Composite Document, Haitong International Securities, on behalf of the Offeror, hereby makes the Offer for all the Offer Shares on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.25 in cash

The Offer Price of HK\$0.25 per Offer Share is the same as the purchase price per Sale Share under the SPA.

The Offer is conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

The Offer may or may not become unconditional. Shareholders and investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this Composite Document.

As at the Latest Practicable Date, there were 1,692,760,000 Shares in issue, of which 805,688,000 Shares (representing approximately 47.6% of the issued share capital of the Company) are held by the Offeror and parties acting in concert with it upon Completion. There are no outstanding warrants, options, derivatives or other securities convertible into Shares and the Company has not entered into any agreement for the issue of such warrants, options, derivatives or other securities convertible into Shares as at the Latest Practicable Date.

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

LETTER FROM THE BOARD

Further details of the Offer

Further details of the Offer including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from Haitong International Securities” as set out in this Composite Document, Appendix I to this Composite Document and the Form of Acceptance.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in sales of health products which including American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong. Your attention is drawn to the financial information of the Group set out in Appendix II to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

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

	(i) Immediately before the Completion		(ii) Immediately upon the Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders				
The Offeror and parties acting in concert with it	0	0.00	805,688,000	47.60
The Vendor	<u>805,688,000</u>	<u>47.60</u>	<u>0</u>	<u>0.00</u>
Subtotal	805,688,000	47.60	805,688,000	47.60
Public Shareholders	<u>887,072,000</u>	<u>52.40</u>	<u>887,072,000</u>	<u>52.40</u>
Total:	<u>1,692,760,000</u>	<u>100.00</u>	<u>1,692,760,000</u>	<u>100.00</u>

LETTER FROM THE BOARD

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intention of the Offeror in relation to the Company” in the “Letter from Haitong International Securities” in this Composite Document for detailed information on the Offeror’s intention on the business and management of the Group. As set out in the paragraph headed “Intention of the Offeror in relation to the Company”, the Offeror has no intention to discontinue the employment of the employees (save for the proposed changes in the composition of the Board). The Board is aware of the intention of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY AND PUBLIC FLOAT

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

According to the “Letter from Haitong International Securities” in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following closing of the Offer.

RECOMMENDATION

Your attention is drawn to the information (i) the “Letter from the IBC” as set out on pages 24 to 25 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders and Shareholders in respect of the offer; and (ii) the “Letter from Nuada” set out on pages 26 to 43 of this Composite Document which contains its advice to the IBC in relation to the Offers and the principal factors considered by it before arriving at its recommendations.

In considering what action to take in connection with the Offers, you should also consult your professional advisers as to the tax implications that may arise from accepting the Offer.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to carefully read the section headed “General Procedures for Acceptance of the Offer” set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the terms and procedures for the acceptance and settlement of the Offers.

Yours faithfully,
For and on behalf of the Board
Qianhai Health Holdings Limited
George Lu
Chairman & Chief Executive Officer

LETTER FROM THE IBC



Qianhai Health Holdings Limited
前海健康控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 911)

11 April 2019

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF EXPLORER ROSY LIMITED TO
ACQUIRE ALL OF THE ISSUED SHARES OF
QIANHAI HEALTH HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY EXPLORER ROSY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite document dated 11 April 2019 (“**Composite Document**”) jointly issued by the Company and the Offeror of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed to constitute the IBC to consider the terms of the Offer and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make recommendation in respect of acceptance of the Offer. Nuada has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the terms of the Offer and, in particular, whether the Offer is fair and reasonable and to make recommendation in respect of the acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from Nuada” on pages 26 to 43 of the Composite Document. We also wish to draw your attention to the “Letter from the Board”, the “Letter from Haitong International Securities” and the additional information set out in the Appendices to the Composite Document.

LETTER FROM THE IBC

Having considered the terms of the Offer and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in the “Letter from Nuada”, we concur with the view of Independent Financial Adviser and consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to accept the Offer.

However, Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

The Independent Shareholders are recommended to read the full text of the “Letter from Nuada” on pages 26 to 43 of the Composite Document. In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document and the Form of Acceptance.

Yours faithfully,

For and on behalf of IBC

Qianhai Health Holdings Limited

Yuen Chee Lap Carl Wu Wai Leung Danny Li Wei

Independent Non-executive Directors

LETTER FROM NUADA

The following is the text of a letter of advice from Nuada Limited to the IBC in respect of the Offer which has been prepared for the purpose of inclusion in this document.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

11 April 2019

*To the IBC of
Qianhai Health Holdings Limited*

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF EXPLORER ROSY LIMITED TO
ACQUIRE ALL OF THE ISSUED SHARES OF
QIANHAI HEALTH HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY EXPLORER ROSY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the IBC in respect of the terms of the Offer, details of which are set out in the Composite Document dated 11 April 2019 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 24 January 2019, the Offeror and the Company jointly announced that on 24 January 2019, the Offeror as purchaser entered into the SPA, pursuant to which, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to acquire an aggregate of 805,688,000 Shares, being the Sale Shares, representing 47.6% of the issued share capital of the Company as at the date of the Joint Announcement, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, at the consideration of HK\$201,422,000, equivalent to HK\$0.25 per Sale Share. The consideration was paid in cash by the Offeror to the Vendor on Completion.

LETTER FROM NUADA

All conditions precedent to the SPA were fulfilled or waived in accordance with the SPA and the Completion took place on 1 February 2019.

Upon the Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it hold 805,688,000 Shares (representing approximately 47.6% of the existing issued Shares on the date of the Completion). Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with any of them).

Haitong International Securities, for and on behalf of the Offeror, makes the Offer in compliance with the Takeovers Code and on the terms set out in the Composite Document on the following basis:

For each Share HK\$0.25 in cash

The Offer Price is the same as the price payable by the Offeror for each Share under the SPA. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Composite Document.

The IBC, comprising all the independent non-executive Directors (namely, Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl), has been constituted to give a recommendation to the Shareholders other than the Offeror and parties acting in concert with it as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, Nuada Limited, has been appointed as the Independent Financial Adviser to the IBC on the Offer. Our appointment as the Independent Financial Adviser has been approved by the IBC.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Nuada Limited and the Group or the Offeror. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

LETTER FROM NUADA

BASIS OF OUR OPINION

In formulating our opinion to the IBC, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the senior management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors or the Offeror (as the case may be) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers, the Directors and/or the director of the Offeror, which have been provided to us.

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

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

LETTER FROM NUADA

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Independent Shareholders as a result of the Offer. Our opinion is necessarily based on the financial market and other conditions in effect and the information made available to us as at the Latest Practicable Date, and the Independent Shareholders will be notified of any material changes (if any) to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Financial Information of the Group and outlook

(a) Financial information of the Group

As stated in the Composite Document, the Group is principally engaged in sales of health products which includes American ginseng, healthcare wine and Chinese herbal medicines to wholesalers and retailers in Hong Kong.

Set out below is a summary of the Group's operating results and financial position extracted from the Company's annual reports for the year ended 31 December 2016 ("AR2016") and 2017 ("AR2017") and the Company's annual results announcement dated 29 March 2019 for the year ended 31 December 2018 ("RA2018").

Operating results of the Group

	For the year ended 31 December			
	2018	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)
		(restated)	(restated)	(restated)
Revenue (Note 1)	78,047	197,062	354,385	835,531
Gross profit/(loss) (Note 2)	3,003	14,868	(301,386)	2,880
Profit/(Loss) for the year	5,033	35,861	(525,862)	(438,520)

Notes:

- (1) The revenue were net of reversal or provision (as the case may be) of rebates and discounts. Please refer to the discussion in the paragraph below for details.

LETTER FROM NUADA

- (2) The inventory write down was reclassified to “other losses” for the year ended 31 December 2018 (“FY2018”), which was previously recognised within “cost of sales”; hence the same reclassifications have been made in the comparative information for the years ended 31 December 2015 (“FY2015”), 2016 (“FY2016”), and 2017 (“FY2017”) to conform to the FY2018 presentation.

Financial position of the Group

	As at 31 December			
	2018	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(audited)
Net current assets	389,385	375,997	460,618	305,403
Net assets	635,557	672,703	619,901	510,266

Background related to the minimal gross profit of the Group for the year ended 31 December 2015 and the significant gross loss of the Group for the year ended 31 December 2016

We noted that the Group recorded a minimal gross profit of approximately HK\$2.9 million for FY2015 despite a revenue of approximately HK\$835.5 million, and a significant gross loss of approximately HK\$397.9 million for FY2016 respectively. As discussed with the management of the Company and as disclosed in AR2016, we understand that the possible change in control of the Company as set out in the announcement of the Company dated 2 February 2016 led to turbulence in the ginseng market, therefore the customers are more cautious of ginseng trading as well as settlement of trade receivables. As a result of the slow settlement by the customers of the Group, provision of rebates and discounts of approximately HK\$352.0 million and approximately HK\$239.7 million were recognised for FY2015 and FY2016 respectively. In addition, the market price of ginseng also suffered due to the aforesaid turbulence in the ginseng market, and resulted in inventory write down amounting to approximately HK\$131.6 million and approximately HK\$96.5 million for FY2015 and FY2016 respectively, which were included in other losses of the Group contributing to the loss for the year. The aforesaid provision of rebates and discounts in FY2015 and FY2016 contributed to the minimal gross profit of the Group for FY2015 and the significant gross loss of the Group for FY2016. For details related to the above matter, please refer to notes 2 and 8 to the condensed consolidated financial statements in the annual report of the Company for FY2015 and note 6 to the consolidated financial statements in AR2016.

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Financial performance for the year ended 31 December 2016

As stated in AR2016, the revenue of the Group decreased to approximately HK\$354.4 million for FY2016, representing a decrease of approximately 57.6% as compared with that of approximately HK\$835.5 million for FY2015. Meanwhile, the Group recorded a gross loss of approximately HK\$301.4 million for FY2016 as opposed to a gross profit of approximately HK\$2.9 million for FY2015. As advised by the management of the Company, such decrease in revenue and deterioration to gross loss was due to the substantial decrease in price of American ginseng as well as the aforesaid rebates and discounts in the previous paragraph. The loss of the Group for the year increased from approximately HK\$438.5 million for FY2015 to approximately HK\$525.9 million for FY2016, representing an increase in loss of approximately 19.9%. As advised by the management of the Company, such deterioration was mainly due to the aforesaid change from gross profit in FY2015 to gross loss in FY2016 and counterbalanced mainly by (i) the decrease in administrative expenses for FY2016 by approximately HK\$86.3 million; and (ii) the change from an income tax expenses for FY2015 to an income tax credit for FY2016 with difference amounting to approximately HK\$80.3 million.

Financial performance for the year ended 31 December 2017

As stated in AR2017, the revenue of the Group further decreased from approximately HK\$354.4 million for FY2016 to approximately HK\$197.1 million for FY2017, representing a decrease of approximately 44.4%. As advised by the management of the Company, such decrease in revenue was mainly due to the decreased trading volume under the competitive trading of American ginseng business environment and the decreased average wholesale price of American ginseng during FY2017. Nevertheless, the profitability of the Group improved from gross loss of approximately HK\$301.4 million for FY2016 to a gross profit of approximately HK\$14.9 million for FY2017. As advised by the management of the Company, such improvement was due to the fact that there were reversal of provision of rebates and discounts recognised for FY2017 instead of provision of rebates and discounts recognised for FY 2016 as the impact of the previous change in control of the Company stabilised. The Group also recorded a profit of approximately HK\$35.9 million for FY2017 as compared with a loss of approximately HK\$525.9 million for FY2016. As advised by the management of the Company, such improvement was mainly due to (i) the aforesaid change from a substantial gross loss to a gross profit; (ii) the change from an exchange loss for FY2016 to an exchange gain in FY2017 with difference amounting to approximately HK\$59.9 million; (iii) the increase in gain on disposal of property, plant and equipment for FY2017 by approximately HK\$29.8 million; (iv) the change on revaluation of investment properties from a loss on changes in fair value of investment properties for FY2016 to a gain for FY2017 with difference amounting to approximately HK\$26.9 million; and (v) the reduction of administrative expenses by approximately HK\$27.0 million for FY2017.

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Financial performance for the year ended 31 December 2018

As stated in RA2018, the revenue of the Group continued to decrease from approximately HK\$197.1 million for FY2017 to approximately HK\$78.0 million for FY2018, representing a decrease of approximately 60.4%. As disclosed in RA2018 and as advised by the management of the Company, such decrease in revenue was mainly due to the Group's tightened trading volume given the volatile American ginseng market and the decreased average wholesale price of American ginseng during FY2018. As a result of the decrease in revenue, the gross profit of the Group also dropped from approximately HK\$14.9 million in FY2017 to approximately HK\$3.0 million for FY2018, representing a decrease of approximately 79.8%. The profit of the Group decreased from approximately HK\$35.9 million for FY2017 to approximately HK\$5.0 million for FY2018. As advised by the management of the Company, such decrease in profit was mainly due to (i) the aforesaid decrease in gross profit; (ii) the decrease of gain on disposal of property, plant and equipment for FY2018 by approximately HK\$23.2 million; (iii) the decrease in fair value gain of investment properties for FY2017 by approximately HK\$14.0 million; (iv) the increase in inventory write down in FY2018 by approximately HK\$9.1 million; and (v) counterbalanced by a change from income tax expense for FY2017 to an income tax credit for FY2018 with the difference amounting to approximately HK\$10.0 million.

Financial position as at 31 December 2018

Regarding the financial position of the Group, according to RA2018, net current assets of the Group amounted to approximately HK\$389.4 million as at 31 December 2018, which consisted mainly of (i) loan and interest receivables of approximately HK\$183.7 million; (ii) cash and cash equivalents of approximately HK\$138.3 million; (iii) trade and other receivables of approximately HK\$75.9 million; and (iv) trade and other payables of approximately HK\$49.8 million. Such amount of net current assets of the Group represent a slight increase by approximately 3.6% as compared with that of approximately HK\$376.0 million as at 31 December 2017. Meanwhile, the net assets of the Group decreased from approximately HK\$672.7 million as at 31 December 2017 to approximately HK\$635.6 million as at 31 December 2018, representing a decrease of approximately 5.5%. As advised by the management of the Company, the decrease in net assets was mainly due to (i) the dividend declared for FY2017 amounting to HK\$17.0 million recognised as distribution in FY2018 and (ii) the total comprehensive loss in FY2018 amounted to approximately HK\$8.8 million. The net assets of the Group as at 31 December 2018 consisted mainly of, in addition to the current assets and liabilities, (i) interest in a joint venture of approximately HK\$115.8 million; and (ii) investment properties of approximately HK\$92.5 million.

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(b) Overview of American ginseng industry

As stated in the paragraph headed “(a) Financial information of the Group” above, and as discussed with the management of the Company, the Group is principally engaged in sales of health products, the majority of which are American ginseng from Canada, to wholesalers and retailers in Hong Kong. To understand the business outlook of the Group related to the sales of American ginseng, we have studied the relevant official statistics compiled by UN Comtrade, the trade statistics database operated by the United Nations, as set out below:

Import of American ginseng from Canada to Hong Kong

Year	2013	2014	2015	2016	2017	2018
Weight ('000 kilogram)	2,737.2	1,535.7	2,636.4	3,009.2	2,475.2	2,417.6
Trade value (million US\$)	171.8	128.7	212.4	203.2	142.1	127.1
Average trade value per kilogram (US\$)	62.8	83.8	80.6	67.5	57.4	52.6

Source: Website of UN Comtrade (<https://comtrade.un.org/data/>)

As shown in the table above, we note that the total weight of American ginseng import from Canada to Hong Kong varied from year 2013 to 2018, with decreases in 2014, 2017 and 2018 and increases in 2015 and 2016. The trade value of the American ginseng import followed a similar pattern as the weight of American ginseng import, albeit with different rates of change. However, the average trade value per kilogram has dropped continuously immediately following a peak of approximately US\$83.8 in 2014, and decreased to approximately US\$52.6 in 2018, representing a decrease of approximately 37.2% over the aforesaid period. This decreasing trend reflected a unfavourable market condition to the Group in recent years as the Group had to compete with decreasing market price.

(c) Our view regarding the financial and trading position of the Group

We noted that while the Group had improvement in terms of profit in the latest financial year and period (i.e. FY2017 and FY2018), the revenue of the Group has decreased significantly in the last few years from the peak of approximately HK\$835.5 million for FY2015 to approximately HK\$78.0 million for FY2018 which, as advised by the management of the Company, was due to the competitive American ginseng market as mentioned above. Our analysis on the relevant market above also revealed that market price of American ginseng has indeed experienced downward pressure since year 2014. In light of the foregoing, we consider that the prospect of the Group remains dubious.

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2. Information on the Offeror and the Offeror's intention regarding the Group

(a) Information on the Offeror

The Offeror is an investment holding company incorporated in BVI with limited liability on 12 August 2015, the shares of which are owned as to 80% by Great Prosperous, 10% by Thousands Beauties and 10% by Noble Stand Global. Great Prosperous is wholly owned by Mr. Huang, while both Thousands Beauties and Noble Stand Global are wholly owned by Mr. Lim. Therefore, Mr. Huang and Mr. Lim are the ultimate beneficial owners of the Offeror.

Mr. Huang and Mr. Lim are the only two directors of the Offeror. Mr. Huang is the sole director of Great Prosperous. Mr. Lim is the sole director of each of Thousands Beauties and Noble Stand.

Mr. Huang, aged 44, has over 19 years of management experience in international trading and distribution of electronic components. From 1999 to 2003, Mr. Huang operated an electronic components trading company individually. Subsequently in 2003, Mr. Huang, together with other business partners, founded a Hong Kong-based global electronic components trading and distribution group (the “**Trading and Distribution Group**”), the Trading and Distribution Group supplies electronic components to customers including sizeable manufacturing groups and technology companies. Since the establishment of the Trading and Distribution Group, Mr. Huang has been the Trading and Distribution Group's CEO, managing its business with presence in Hong Kong, PRC and Southeast Asia. In 2005, Mr. Huang, together with other business partners, established another manufacturing and trading group, which businesses include the manufacturing of semiconductor products of a well-known brand that are sold to different markets including Hong Kong, the PRC, Taiwan and other Asian countries. Mr. Huang has been the standing director of Shenzhen Chao Shan Chamber of Commerce from December 2011 until now.

Mr. Lim, aged 51, has over 21 years of management experience in international trading and distribution of electronic components. From 1997 to 2002, Mr. Lim was the General Manager of an electronic components trading company based in Singapore, mainly responsible for the company's trading business in various Southeast Asian countries. Mr. Lim was the General Manager of another Singapore based electronic components trading company from 2003 to 2008, mainly responsible for managing and supervising the company's operation of the trading business in Hong Kong and the PRC. Since 2009, Mr. Lim is one of the key management personnel and one of shareholders of an international trading company based in Singapore, being responsible for the management of the company's trading business in Singapore, Hong Kong, the PRC and Vietnam.

The Offeror did not carry on any business since its incorporation until the entering of the SPA and the transactions in connection therewith.

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(b) Offeror's intention regarding the business of the Group

Following the close of the Offer, the Offeror intends to continue the existing principal business of the Group and maintain the listing status of the Company on the Main Board of the Stock Exchange.

The Offeror will conduct a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

Subject to the results of the review, the Offeror may explore other business opportunities for the Company, which include the business of electronic components and international trading, and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. Further, the Offeror has no intention to discontinue the employment of the employees (save for the change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

(c) Possible Change of the Board composition

The Board is currently made up of five Directors, comprising two executive Directors, being Mr. George Lu and Mr. Wong Kwok Ming, and three independent non-executive Directors, being Mr. Li Wei, Mr. Wu Wai Leung Danny and Mr. Yuen Chee Lap Carl.

It is intended that Mr. George Lu and Mr. Wong Kwok Ming will resign with effect from the earliest time permitted under the Takeovers code. The Offeror at present intends to appoint Mr. Huang and Mr. Lim as new executive directors of the Company with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, the Offeror has not decided on the future composition of the Board. The day-to-day operations of the Company will continue to be managed by the existing professional management staff. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

(d) Maintenance of the listing status of the Company

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer.

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The directors of the Offeror and the new executive directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following closing of the Offer.

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

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

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

(e) *Our view*

We noted that the Offeror intends that the Group will continue the principal business of the Group and as the two directors of the Offeror, namely Mr. Huang and Mr. Lim, are not expert in trading of American ginseng, the Group may not be able to benefit from their network for expansion of the existing principal business but only rely on its own organic growth or development. However, the Offeror will conduct a review of the business activities and assets of the Group and, subject to the results of the review, explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Accordingly, we are of the view that the future performance of the Group under the Offeror may be subject to the change depending on whether there could be any organic growth of its existing principal business and whether there is any new revenue driver.

3. Principal terms of the Offer

(a) *Comparison of the market prices of the Shares*

The Offer Price of HK\$0.25 per Offer Share represents:

- (i) a premium of approximately 3.3% over the closing price of HK\$0.242 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK\$0.244 per Share;

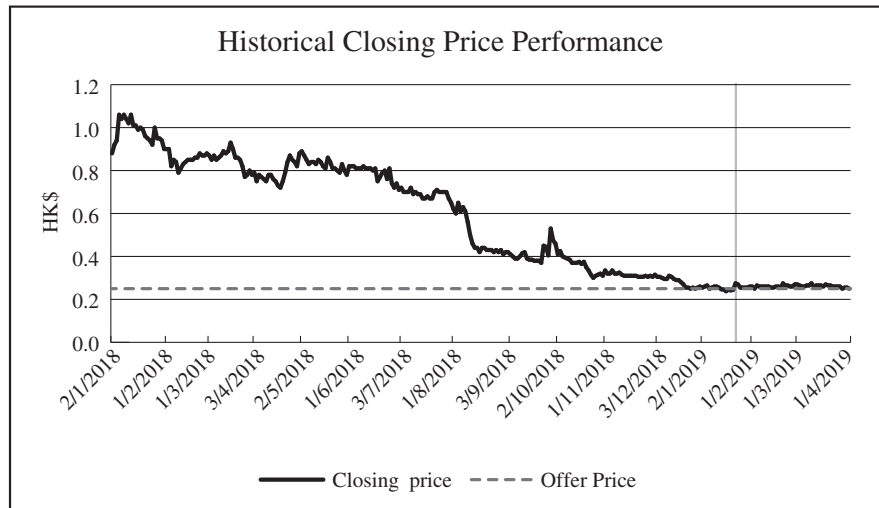
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- (iii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of HK\$0.25 per Share;
- (iv) a discount of approximately 6.0% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.266 per Share;
- (v) the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 36.4% to the audited consolidated net asset value per Share (“NAV”) of the Company of approximately HK\$0.393 as at 31 December 2017 (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 December 2017 of approximately HK\$665,503,000 by 1,692,760,000 Shares in issue as at the Latest Practicable Date);
- (vii) a discount of approximately 35.2% to the unaudited NAV of the Company of approximately HK\$0.386 as at 30 June 2018 (which is calculated by dividing the unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2018 of approximately HK\$652,587,000 by 1,692,760,000 Shares in issue as at the Latest Practicable Date); and
- (viii) a discount of approximately 33.3% to the audited NAV of the Company of approximately HK\$0.375 as at 31 December 2018 (which is calculated by dividing the audited consolidated net asset value attributable to owners of the Company as at 31 December 2018 of approximately HK\$635,557,000 by 1,692,760,000 Shares in issue as at the Latest Practicable Date).

(b) Historical price performance of the Shares

The graph below shows Offer Price and the movement of the closing prices of the Shares during the period from 2 January 2018, being the first date of the twelfth month prior to the Last Trading Day (as indicated by the vertical line), to the Latest Practicable Date (the “**Review Period**”).

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Source: Website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the graph above, the closing prices of the Shares followed a general decreasing trend from a peak of HK\$1.06 in January 2018 to December 2018, and since then has stayed at a price around HK\$0.25. During the Review Period, the closing prices of the Shares ranged from the highest of HK\$1.06 recorded on multiple days in January 2018 to the lowest of HK\$0.238 per Share recorded on 21 January 2019, with an average of approximately HK\$0.560 per Share. During the Review Period, the Offer Price of HK\$0.25 per Share (i) represents a discount of approximately 76.4% to highest closing price of HK\$1.06 per Share; (ii) represents a premium of approximately 5.0% over the lowest closing price of HK\$0.238 per Share; and (iii) represents a discount of approximately 55.4% to the average closing price of approximately HK\$0.560 per Share.

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(c) Historical trading liquidity of the Shares

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

	Number of trading days in each month/period	Average daily trading volume (Note 1)	Total number of issued Shares as at the end of the month or the Latest Practicable Date	Total number of issued Shares held by public Shareholders as at the end of the month or the Latest Practicable Date (Note 2)	Percentage of average daily trading volume of the Shares to the total number of issued Shares held by public Shareholders as at the end of the month or the Latest Practicable Date (Note 3)
2018					
January	22	2,248,932	17,004,050,000	8,947,170,000	0.03%
February	18	884,686	17,004,050,000	8,947,170,000	0.01%
March	21	1,132,345	17,004,050,000	8,947,170,000	0.01%
April	19	1,501,658	17,004,050,000	8,947,170,000	0.02%
May	21	787,021	17,004,050,000	8,947,170,000	0.01%
June	20	1,071,173	16,970,570,000	8,913,690,000	0.01%
July	21	540,762	16,943,130,000	8,886,250,000	0.01%
August	23	1,150,078	16,943,130,000	8,886,250,000	0.01%
September	19	835,635	1,694,313,000 (Note 4)	888,625,000 (Note 4)	0.09%
October	21	1,376,992	1,694,313,000	888,625,000	0.15%
November	22	383,955	1,692,760,000	887,072,000	0.04%
December	19	834,540	1,692,760,000	887,072,000	0.09%
2019					
January	22	7,276,181 (Note 5)	1,692,760,000	887,072,000	0.82% (Note 5)
February	18	2,774,169	1,692,760,000	887,072,000	0.31%
March	21	1,237,143	1,692,760,000	887,072,000	0.14%
April	5	1,061,250	1,692,760,000 (Note 6)	887,072,000 (Note 6)	0.12%

Source: Website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the corresponding number of trading days of that month/period.
2. It is calculated by subtracting the Shares held by the then substantial Shareholders of the Company from the total number of issued Shares as at the end of the month or the Latest Practicable Date, as the case may be.
3. It is calculated by dividing the average daily trading volume of the Shares by the total issued share capital of the Company held by public Shareholders as at the end of the month or the Latest Practicable Date, as the case may be.
4. A share consolidation of ten (10) shares of the Company prior to such share consolidation into one (1) Share was effective on 12 September 2018.
5. There was a spike on 25 January 2019 (i.e. the next day following the Joint Announcement) in trading volume to 103,021,415 Shares, which was substantially higher than the rest of the month.
6. These refer to the total number of issued Shares held by all Shareholders or public Shareholders, as the case may be, as at the Latest Practicable Date.

As depicted above, during the Review Period, the average daily trading volume represents approximately 0.01% to 0.82% of the total number of Shares in issue held by public Shareholders as at the end of the respective month or the Latest Practicable Date, as the case may be. We also note that the average daily trading volume raised substantially in January 2019, which was due to a spike in trading volume to 103,021,415 Shares on 25 January 2019 (i.e. the next day following the Joint Announcement) as compared with the average daily trading volume of 2,716,884 Shares for the rest of January (i.e. excluding the trading volume on 25 January 2019). The trading volume has continued to decrease since then and average daily trading volume in April (up to and including the Latest Practicable Date) represents approximately 0.12% of the total number of Shares in issue held by public Shareholders as at the Latest Practicable Date. As such, we consider that the liquidity of the Shares had been thin throughout the Review Period. Given trading of the Shares has been generally inactive, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market, should they wish so, without affecting the price of the Shares.

(d) Comparable analysis

In assessing the fairness and reasonableness of the Offer, we have considered to compare the price-to-earnings ratio and the price-to-book ratio of other listed companies in Hong Kong with business similar to that of the Company, which are the most commonly used benchmarks in assessing the financial valuation of a company. We have attempted to search for companies listed on the Stock Exchange which are principally engaged in business similar to the Group (i.e. sales of American ginseng), but identified none that fulfils the above criteria to conduct a fair comparison.

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While we have also attempted to compare the terms of the Offer with other mandatory offers of other listed companies, those listed companies identified are engaged in different business and/or have different financial performance from the Company. As such, we consider that no meaningful the following comparable analysis can be conducted to assess the fairness and reasonableness of the Offer.

(e) Our view

Having considered that

- (i) the Offer Price represents a premium of approximately 3.30% over the closing price of the Shares on the Last Trading Day;
- (ii) given that trading of the Shares has been inactive in the Review Period prior to the publication of the Joint Announcement, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without affecting the price of the Shares. Hence, the Offer provides an assured opportunity for Independent Shareholders to realise their investment in the Shares without creating a significant downward pressure on the trading price of the Shares,
- (iii) despite the Offer Price currently representing a discount of approximately 33.33% to the NAV of the Company as at 31 December 2018 of approximately HK\$0.375, it should not be the only factor to determine the fairness and reasonableness of the Offer Price in term of value of asset backing. In particular, it shall be noted that, in addition to points (i) and (ii) above, the revenue of the Group has deteriorated continuously for the recent three financial years, from approximately HK\$835.5 million for FY2015 to approximately HK\$78.0 million for FY2018 as stated in the sub-section headed “1. Financial Information of the Group and Outlook” above,

we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM NUADA

RECOMMENDATION

Despite the Offer Price representing a discount of approximately 33.33% to the NAV of the Company of approximately HK\$0.375 as at 31 December 2018, having taken into account that:

- (i) the prospect of the Group remains uncertain given the deteriorating revenue of the Group and the decreasing market price of American ginseng;
- (ii) the Offeror intends that the Group will continue the principal business of the Group but the only two directors of the Offeror, namely Mr. Huang and Mr. Lim, do not have experience related to trading of American ginseng, currently the principle business of the Group;
- (iii) the Offer Price represents a premium of approximately 3.30% over the closing price of the Shares on the Last Trading Day; and
- (iv) given that trading of the Shares has been generally inactive in the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without affecting the price of the Shares. Hence, the Offer provides an assured opportunity for Independent Shareholders to realise their investment in the Shares without creating a significant downward pressure on the trading price of the Shares,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the IBC to advise the Independent Shareholders to accept the Offer.

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Nevertheless, the Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially because disposal of large blocks of Shares in the open market may trigger price slump of the Shares as a result of the relatively inactive trading of the Shares. The Independent Shareholders who intend to realise their investment in the Company shall, having regard to their own circumstances, consider selling the Shares in the open market instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would be higher than that receivable under the Offer.

Yours faithfully,
For and on behalf of
Nuada Limited
Kim Chan
Director

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

The Offer

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

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "Qianhai Health Holdings Limited – General Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and signed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Haitong International Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

- (g) Seller's *ad valorem* stamp duty for transfer of Shares registered in the seller's name by the Company through the Registrar arising in connection with acceptance of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's *ad valorem* stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's *ad valorem* stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) If the Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders who have accepted the Offer by ordinary post at the Independent Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer have previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is conditional upon the Offeror having received acceptances in respect of the Offer Shares which, together with the Shares the Offeror and parties acting in concert with it holding more than 50% of the total issued shares capital of the Company.
- (b) The Offeror and the Company will jointly issue an announcement in accordance with the Listing Rules through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

- (c) In the event that the Offeror decides to extend the Offer, at least fourteen (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. ANNOUNCEMENT

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

Such announcement must state the following:

- (i) the total number of Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares held, controlled or directed by the Offeror and parties acting in concert with any of them before the Offer Period;
- (iii) the total number of Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with any of them during the Offer Period;
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with any of them has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
- (v) the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.qianhaihealth.com.hk>).

4. NOMINEE REGISTRATION

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

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below which provides that an acceptor shall be entitled to withdraw his acceptance of the Offers after twenty one (21) days from the first Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor may withdraw his acceptance of the Offers by lodging a notice in writing signed by the acceptor (or his agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcement” in this Appendix I, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

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

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

6. SETTLEMENT OF THE OFFER

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

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

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honored and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

7. OVERSEAS SHAREHOLDERS

The availability of the Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to the Independent Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the individual Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any regulatory 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 by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

8. HONG KONG STAMP DUTY AND TAX IMPLICATIONS

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

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with it, the Company, Haitong International Capital, Haitong International Securities and Nuada and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror and parties acting in concert with it, the Company, Haitong International Capital, Haitong International Securities and Nuada and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Haitong International Securities that the Shares tendered under the Offer (together with all rights attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid by the Company on or after the date of this Composite Document), are sold by such person or persons free from all Encumbrances whatsoever and any other third party rights of any nature.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.

APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form of Acceptance will constitute an authority to the Offeror and/or Haitong International Securities and/or such person or persons as any of them may direct to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The annual results announcement of the Group for the year ended 31 December 2018 was published on 29 March 2019. The following is (a) a summary of the audited financial results of the Group for each of the two years ended 31 December 2016 and 2017 as extracted from the published annual reports of the Company; and (b) a summary of the figures as extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2018 as disclosed in the 2018 Annual Results Announcement.

	For the year ended 31 December		
	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue, net of rebates and discounts	78,047	197,062	354,385
(Loss)/profit before income tax	(5,016)	35,920	(564,487)
Income tax credit/(expense)	10,049	(59)	38,625
Profit/(loss) for the year	5,033	35,861	(525,862)
Profit/(loss) attributable to owners of the Company	5,071	35,861	(525,710)
Loss attributable to non-controlling interests	(38)	–	(152)
Dividends	–	17,004	–
Dividends per share (<i>HK cent</i>)	–	1*	–
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company:			
Basic and diluted earnings/(loss) per share (<i>HK cent(s)</i>)	0.3	2.11*	(3.73)*

* The dividends per share and earnings/(loss) per share were adjusted as the results of the share consolidation on the basis that every 10 issued and unissued existing ordinary shares of HK\$0.004 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK\$0.04 each, which has become effective on 12 September 2018.

The auditors of the Company for the two years ended 31 December 2016 and 2017 were PricewaterhouseCoopers. The auditors of the Company for the year ended 31 December 2018 was Baker Tilly. The Company's auditors expressed qualified opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2016. The following is an extract of the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016 which is set out at pages 42 to 43 of the annual report 2016 of the Company:

“Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Provision for rebates and discounts

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another firm of auditor whose report dated 31 March 2016 expressed a qualified opinion in respect of limitation of scope of the provision for rebates and discounts of HK\$352,000,000 made for the year ended 31 December 2015. The previous firm of auditor stated that they were unable to obtain sufficient audit evidence to satisfy themselves as to whether the provision for discounts and rebates were fairly stated.

As described in Note 6 to the consolidated financial statements, in response to concerns expressed by and requests from certain major customers (the “Customers”), the Group recognised a provision for rebates and discounts of HK\$352,000,000 in the consolidated financial statements for the year ended 31 December 2015 in relation to its certain sales to the Customers recognised during that year. During the year ended 31 December 2016, the directors of the Company continued its efforts to try to negotiate the rebates and discounts amounts with the Customers as well as the trade receivables settlement plan, and was able to obtain a court order to enforce debt settlement from certain of the Customers. However, the Customers did not respond to the court order.

In view of the insignificant repayments from the Customers during the year and the fact that the Customers did not respond to the court order, the Group made a further provision for rebates and discounts of HK\$239,619,000 during the year ended 31 December 2016, attributable to revenue from sales to the Customers of HK\$134,057,000 and HK\$105,562,000 recognised during the period from January to February 2016 and for the year ended 31 December 2015, respectively. As at the same date, after offsetting the total provision for rebates and discounts of HK\$567,037,000, total net trade receivables due from the Customers was nil.

As the Group was not able to commence any formal negotiations with the Customers and absent of any formal contractual rebate agreements, there were inadequate documentary evidence available to us to verify the provision for rebates and discounts made during the year ended 31 December 2016. We were not able to receive satisfactory confirmation replies from the Customers to confirm the receivable balances with them, nor were we able to arrange interviews with the Customers to verify the rebates and discounts arrangements, if any. As such, we were unable to obtain sufficient appropriate evidence to assess the appropriateness of the assumptions used by the directors of the Company in determining the amounts of provision for rebates and discounts, and to verify its occurrence, existence, valuation and accuracy. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the additional provision for rebates and discounts of HK\$239,619,000 recognised during the year ended 31 December 2016 and the balance of provision of sales and rebates of HK\$567,037,000 as at the same date were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

No modified or qualified opinion had been issued by the auditors in respect of the consolidated financial statements of the Group for each of the year ended 31 December 2017 and the year ended 31 December 2018.

2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the last published audited accounts, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated annual results of the Group for the year ended 31 December 2018 (“**2018 Financial Statements**”) are set out in the 2018 Annual Results Announcement which was published on 29 March 2019 and posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0329/LTN201903291510.pdf>

The audited consolidated financial statement of the Group for the year ended 31 December 2017 (“**2017 Financial Statements**”) are set out on pages 47 to 129 of the annual report of the Company for the year ended 31 December 2017, which was published on 19 April 2018. The annual report of the Company for the year ended 31 December 2017 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0419/LTN20180419539.pdf>

The 2018 Financial Statements and the 2017 Financial Statements (but not any other part of the annual report of the Company for the year ended 31 December 2017 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this Composite Document, the Group had indebtedness of approximately HK\$152,000. The outstanding indebtedness comprised the obligation under finance lease of approximately HK\$152,000 which was unguaranteed and secured by the lessors’ charge over leased assets.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, at the close of business on 31 January 2019, the Group did not have other outstanding debt securities issued and outstanding or agreed to be issued, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities. The Directors are not aware of any material adverse change in the Group’s indebtedness position and contingent liabilities since 31 January 2019.

4. MATERIAL CHANGE

The Directors confirm that, there are no material changes in the financial or trading position or outlook of the Company since 31 December 2018 (being the date to which the latest audited account of the Company were made up) up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

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

Each of (a) the sole director of Great Prosperous, (b) the sole director of Thousands Beauties and (c) the sole director of Noble Stand accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group and the Vendor), and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing price <i>(HK\$)</i>
31 July 2018	0.700
31 August 2018	0.430
28 September 2018	0.445
31 October 2018	0.310
30 November 2018	0.305
31 December 2018	0.255
23 January 2019 (being the Last Trading Day)	0.242
31 January 2019	0.255
28 February 2019	0.265
29 March 2019	0.260
8 April 2019 (being the Latest Practicable Date)	0.250

3. DISCLOSURE OF INTERESTS

Interests of the Offeror and parties acting in concert with it in the Shares

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/parties acting in concert with it	Capacity	Number of Shares held/ interested	Approximate % of interest
The Offeror	Beneficial owner	805,688,000 (L) ^(Note 1)	47.6
Great Prosperous	Interest in a controlled corporation, parties acting in concert ^(Note 2)	805,688,000 (L) ^(Note 1)	47.6
Thousands Beauties	Interest in a controlled corporation, parties acting in concert ^(Note 3)	805,688,000 (L) ^(Note 1)	47.6
Noble Stand	Interest in a controlled corporation, parties acting in concert ^(Note 3)	805,688,000 (L) ^(Note 1)	47.6
Mr. Huang	Interest in a controlled corporation, parties acting in concert ^(Note 2)	805,688,000 (L) ^(Note 1)	47.6
Mr. Lim	Interest in a controlled corporation, parties acting in concert ^(Note 3)	805,688,000 (L) ^(Note 1)	47.6
Ms. Du Balong (杜寶龍)	Interest of spouse ^(Note 4)	805,688,000 (L) ^(Note 1)	47.6
Ms. Chong Siew Hoong (張曉紅)	Interest of spouse ^(Note 5)	805,688,000 (L) ^(Note 1)	47.6

Notes:

1. The letter “L” denotes long position in the Shares.
2. Great Prosperous is wholly and beneficially owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in all the Shares held by Great Prosperous. Mr. Huang and Mr. Lim are deemed to be parties acting in concert pursuant to the SFO.
3. Thousands Beauties and Noble Stand are wholly and beneficially owned by Mr. Lim. By virtue of the SFO, Mr. Lim is deemed to be interested in all the Shares held by Thousands Beauties and Noble Stand. Mr. Huang and Mr. Lim are deemed to be parties acting in concert pursuant to the SFO.
4. Ms. Du Balong (杜寶龍) is the spouse of Mr. Huang, and is deemed to be interested in the Shares which are interested by Mr. Huang under the SFO.
5. Ms. Chong Siew Hoong (張曉紅) is the spouse of Mr. Lim, and is deemed to be interested in the Shares which are interested by Mr. Lim under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of Offeror, its directors and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

Save for the transaction contemplated under the SPA, none of the Offeror, its directors or parties acting in concert with it has dealt in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

As at the Latest Practicable Date, save for the Sale Shares held by the Offeror:

- (i) none of the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them has received any irrevocable commitment to accept or to reject the Offer;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them;
- (iii) save for the SPA and the Facility referred to above, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);

- (iv) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) save for the SPA, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offer;
- (vi) none of the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) there is no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and Vendor and parties acting in concert with it on the other hand;
- (viii) other than the consideration payable under the SPA, the Offeror or parties acting in concert with it has not paid or will not pay any other consideration, compensations or benefits in whatever form to the Vendor or parties acting in concert with it in relation to the Sale Shares;
- (ix) there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (x) there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (xi) save for the Facility, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons; and
- (xii) save for the SPA and the Facility referred to above, no member of the Offeror and parties acting in concert with it had an arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with any other person.

5. CONSENTS AND QUALIFICATIONS

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

Name	Qualification
Haitong International Capital	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity
Haitong International Securities	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities

Haitong International Capital and Haitong International Securities have given and have not withdrawn their written consents to the issue of this Composite Document with the inclusion of the text of their letter and/or report and the references to their names in the form and context in which they appear herein.

6. MISCELLANEOUS

The Offeror is an investment holding company incorporated in BVI with limited liability on 12 August 2015, the shares of which are owned as to 80% by Great Prosperous, 10% by Thousands Beauties and 10% by Noble Stand. Great Prosperous is wholly owned by Mr. Huang, while both Thousands Beauties and Noble Stand are wholly owned by Mr. Lim. Therefore, Mr. Huang and Mr. Lim are the ultimate beneficial owners of the Offeror. Mr. Huang and Mr. Lim are the only two directors of the Offeror. The correspondence address of Mr. Huang and Mr. Lim is Unit 1515 Nan Fung Commercial Center, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.

The address of the registered office of the Offeror is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. The correspondence address of the Offeror is Unit 1515 Nan Fung Commercial Center, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.

The registered office of Haitong International Capital and Haitong International Securities is situated at 22/F Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

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

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Ordinary shares of HK\$0.04 each	<u>200,000,000</u>

Total authorised share capital:

Issued and fully paid share capital:

<u>1,692,760,000</u> Ordinary shares of HK\$0.04 each	<u>67,710,400</u>
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The total number of issued Shares as at 31 December 2018 (being the date on which the latest audited consolidated financial statements of the Company were made up to) and as at the Latest Practicable Date was 1,692,760,000 Shares.

All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting and capital.

The Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, there were no interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or (iv) required to be disclosed under the Takeovers Code.

4. SHAREHOLDINGS

As at the Latest Practicable Date:

- (i) the Company did not hold any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror;
- (ii) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company nor the Offeror;
- (iii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or any advisers to the Company or persons who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers (as defined under the Takeovers Code) had owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the offeree company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate;
- (v) no relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

- (vi) no Directors who had a beneficial holding in the Shares and hence no such person had indicated that he intended to accept the Offer in respect of his own beneficial ownership in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (vii) neither the Company nor any of the Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company, save for any borrowed Shares which had been either on-lent or sold.

5. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

- (a) During the Relevant Period:
 - (i) the Company had not dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
 - (ii) none of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
 - (iii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or any advisers to the Company or persons who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers (as defined under the Takeovers Code) had dealt for value in any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
 - (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate, and hence no such person had dealt for value in the Shares;
 - (v) no fund manager connected with the Company who manage shareholdings in the Company on a discretionary basis had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and hence no such person had dealt for value in the Shares; and

- (vi) no Directors who had a beneficial holding in the Shares and hence no such person had indicated that he intended to accept the Offer in respect of his own beneficial ownership in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and therefore no such person had dealt for value in the Shares.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

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

7. SERVICE CONTRACTS WITH DIRECTORS

None of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

Name of Director	Term of service contract/appointment	Amount of remuneration
Mr. George Lu	For a term of three years, commencing from 17 May 2016 to 16 May 2019, which will be automatically extended for one more year unless otherwise terminated or with three month notice under the service agreement	<p>The remuneration under the original service contract was HK\$600,000 per annum subject to annual adjustment.</p> <p>The remuneration was adjusted from HK\$1,800,000 per annum to nil commencing from 1 January 2019.</p> <p>There is no variable remuneration payable under the service contract.</p>

Name of Director	Term of service contract/appointment	Amount of remuneration
Mr. Wu Wai Leung Danny	<p data-bbox="549 314 970 434">Original letter of appointment dated 29 February 2016 was signed for a term of two years, which has been extended for one more year and has expired on 28 February 2019.</p> <p data-bbox="549 476 970 561">A renewal letter of appointment dated 1 March 2019 has been signed for a term of three years, which is to expire on 28 February 2022</p>	<p data-bbox="1027 314 1362 532">The remuneration under the original letter of appointment was HK\$160,000 per annum subject to annual adjustment. The remuneration was adjusted from HK\$176,000 per annum to HK\$180,000 per annum with effect from 1 January 2019.</p> <p data-bbox="1027 574 1362 693">Under the renewed letter of appointment, the remuneration was amounted to HK\$180,000 per annum subject to annual adjustments.</p> <p data-bbox="1027 736 1362 817">There is no variable remuneration payable under the relevant letters of appointment.</p>
Mr. Yuen Chee Lap Carl	<p data-bbox="549 859 970 978">Original letter of appointment dated 29 February 2016 was signed for a term of two years, which has been extended for one more year and has expired on 28 February 2019.</p> <p data-bbox="549 1021 970 1106">A renewal letter of appointment dated 1 March 2019 has been signed for a term of three years, which is to expire on 28 February 2022</p>	<p data-bbox="1027 859 1362 1076">The remuneration under the original letter of appointment was HK\$160,000 per annum subject to annual adjustment. The remuneration was adjusted from HK\$176,000 per annum to HK\$180,000 per annum with effect from 1 January 2019.</p> <p data-bbox="1027 1119 1362 1238">Under the renewed letter of appointment, the remuneration was amounted to HK\$180,000 per annum subject to annual adjustments.</p> <p data-bbox="1027 1281 1362 1361">There is no variable remuneration payable under the relevant letters of appointment.</p>

It is intended that Mr. George Lu and Mr. Wong Kwok Ming will resign with effect from the earliest time permitted under the Takeovers Code.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) have been entered into by the members of the Group after the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date and which are or may be material:

- (a) the investment agreement dated 17 July 2017 entered into between Zhejiang Huijun Investment Management Limited* (浙江匯尊投資管理有限公司) (“**Zhejiang Huijun**”, an indirect wholly-owned subsidiary of the Company) and Hangzhou Zhongan Hot Spring Company Limited* (杭州眾安溫泉浴場有限公司) (“**Zhongan Hot Spring**”) to form a joint venture, namely Hangzhou Linan Zhongan Huijun Hot Spring Company Limited* (杭州臨安眾安匯尊溫泉度假村有限公司) (“**Huijun Hot Spring Resort**”), for the joint development of villas and a medical health check centre at a site located at Tuanyan Village, Tuankou Town, Linan City, Hangzhou Province, the PRC (the “**Project Site**”), whereby Zhejiang Huijun shall inject a total of RMB102,000,000 into Huijun Hot Spring Resort, details of which are set out in the announcement of the Company dated 17 July 2017;
- (b) the supplemental land use right grant contract dated 17 July 2017 entered into between Zhejiang Province Linan Municipal Land and Resources Bureau* (浙江省臨安市國土資源局) (“**Zhejiang Linan Land and Resources Bureau**”), Zhongan Hot Spring and Huijun Hot Spring Resort to the land use right grant contract dated 10 July 2017 entered into between Zhejiang Linan Land and Resources Bureau as transferor and Huijun Hot Spring Resort as transferee of the land use right at the Project Site at a consideration of RMB78,500,000, pursuant to which the transferee of the land use right of the Project Site shall be changed from Zhongan Hot Spring to Huijun Hot Spring Resort;
- (c) the investment agreement dated 15 August 2017 entered into between the Linan Tuankou Municipal People’s Government* (臨安市湍口鎮人民政府) and Huijun Hot Spring Resort with the investment amount of RMB300,000,000 for development of villas, spas, and medical health check centre;
- (d) the sale and purchase agreement dated 28 August 2018 entered into between Greatest Summit Limited (an indirect wholly-owned subsidiary of the Company) as vendor and Tsui Li as purchaser in relation to the disposal of Office Unit 1, 3rd Floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong for a total consideration of HK\$8,967,000;

* for identification purpose only

- (e) the sale and purchase agreement dated 28 August 2018 entered into between Greatest Maker Limited (an indirect wholly-owned subsidiary of the Company) as vendor and Tsui Li as purchaser in relation to the disposal of Office Unit 2, 3rd Floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong for a total consideration of HK\$5,733,000;
- (f) the sale and purchase agreement dated 28 August 2018 entered into between Flying Century Limited (an indirect wholly-owned subsidiary of the Company) as vendor and Tsui Li as purchaser in relation to the disposal of Office Unit 3, 3rd Floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong for a total consideration of HK\$5,649,000; and
- (g) the sale and purchase agreement dated 22 November 2018 entered into between the Company as vendor and Silver Success Development Limited as purchaser in relation to the disposal of the entire issued share capital of Wealthy Harvest Enterprises Limited at a consideration of HK\$50,000,000, details of which are set out in the announcement of the Company dated 22 November 2018.

9. LITIGATION

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

10. CONSENT(S) AND QUALIFICATIONS OF PROFESSIONAL ADVISER(S)

The following are the qualifications of the expert(s) who have given its report, opinion or advice which are contained in this Composite Document:

Name	Qualifications
Nuada Limited	a licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Nuada has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report and references to its name, in the form and context in which they are included.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC at <http://www.sfc.hk>; and (ii) the website of the Company at <http://www.qianhaihealth.com.hk>, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual report of the Company for the year ended 31 December 2016;
- (d) the annual report of the Company for the year ended 31 December 2017;
- (e) the announcement of the annual results of the Company for the year ended 31 December 2018 published by the Company on 29 March 2019;
- (f) the letter from Haitong International Securities, the text of which is set out on pages 7 to 17 of this Composite Document;
- (g) the letter from the Board, the text of which is set out on pages 18 to 23 of this Composite Document;
- (h) the letter from the IBC to the Independent Shareholders, the text of which is set out on pages 24 to 25 of this Composite Document;
- (i) the letter from Nuada, the text of which is set out on pages 26 to 43 of this Composite Document;
- (j) the written consents referred to under the paragraph headed “Consent(s) and qualification of professional adviser(s)” in this Appendix IV and in Appendix III of this Composite Document;
- (k) each material contract referred to in the paragraph headed “Material Contracts” in this Appendix IV; and
- (l) each service contract referred to in the paragraph headed “Service Contracts with Directors” in this Appendix IV.

12. MISCELLANEOUS

The registered office of Nuada, the Independent Financial Adviser, is situated at Unit 1805-08, 18/F OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.