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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 Eternity Technology Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Document and the 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.

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**Hong Kong Aerospace Technology Group Limited**      **Eternity Technology Holdings Limited**  
**香港航天科技集團有限公司**      **恒達科技控股有限公司**  
*(Incorporated in Hong Kong with limited liability)*      *(Incorporated in the Cayman Islands with limited liability)*  
*(Stock Code: 1725)*

### COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO MANDATORY UNCONDITIONAL CASH OFFER BY



**FOR AND ON BEHALF OF**  
**HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED**  
**TO ACQUIRE ALL THE ISSUED SHARES OF**  
**ETERNITY TECHNOLOGY HOLDINGS LIMITED**  
**(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED**  
**TO BE ACQUIRED BY THE OFFEROR AND/OR**  
**PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to the Offeror**



**Financial adviser to the Company**



**Independent financial adviser to the Independent Board Committee**



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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 Kingston Securities containing, among other things, details of the terms of the Offer is set out on pages 10 to 21 of this Composite Document.

A letter from the Board is set out on pages 22 to 29 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 30 to 31 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice in respect of the Offer and the recommendation to the Independent Board Committee is set out on pages 32 to 54 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar by no later than 4:00 p.m. on Thursday, 3 June 2021 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the sections headed "Important notice" and "Letter from Kingston Securities — Overseas Shareholders" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself/herself/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 and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions. 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 at <http://www.hkexnews.hk> and the Company at <http://www.szeternity.com> as long as the Offer remains open.

13 May 2021

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document refer to Hong Kong time and dates.*

2021

Despatch date of this Composite Document and the Form of Acceptance and commencement date of the Offer ( <i>Note 1</i> ) . . . . .	Thursday, 13 May
Offer opens for acceptance ( <i>Note 1</i> ) . . . . .	Thursday, 13 May
Latest time and date for acceptance of the Offer ( <i>Notes 2, 4 and 6</i> ) . . . . .	by 4:00 p.m. on Thursday, 3 June
Closing Date ( <i>Notes 2, 4 and 6</i> ) . . . . .	Thursday, 3 June
Announcement of the results of the Offer as at the Closing Date (or its extension or revision, if any) to be posted on the Stock Exchange's website ( <i>Notes 2 and 4</i> ) . . . . .	not later than 7:00 p.m. on Thursday, 3 June
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offer ( <i>Notes 5 and 6</i> ) . . . . .	Tuesday, 15 June

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the paragraph headed "6. Right of withdrawal" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed on the Closing Date. The latest time and date for acceptance is at 4:00 p.m. on Thursday, 3 June 2021 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
3. The Independent Shareholders are required to submit the duly completed and signed Form of Acceptance to the Registrar on or before 4:00 p.m. on Thursday, 3 June 2021, being the Closing Date, in order to accept the Offer.
4. In accordance with the Takeovers Code, an announcement will be published on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

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## EXPECTED TIMETABLE

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5. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable in respect of acceptance of the Offer will be despatched to the accepting Independent Shareholder(s) by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance and all requisite documents to render the acceptance under the Offer complete and valid in accordance with the Takeovers Code.
  
6. If there is a tropical cyclone warning signal number 8 or above, a black rainstorm warning or "Extreme Conditions":
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day, i.e. the Closing Date; or
  
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force or Extreme Conditions at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

All times and dates in this Composite Document and the Form of Acceptance shall refer to Hong Kong times and dates. Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## **IMPORTANT NOTICE**

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### **NOTICE TO OVERSEAS SHAREHOLDERS**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal and regulatory 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 jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing 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 and regulatory of such jurisdiction.

The Offeror and parties acting in concert with it, the Company, the Registrar, Kingston Securities, Kingston Corporate Finance, Octal Capital Limited, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, agents, professional advisers and associates and any other persons 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 section headed “Letter from Kingston Securities — Overseas Shareholders” and the paragraph headed “7. Overseas Shareholders” in Appendix I to this Composite Document for further details.

### **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.

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## DEFINITIONS

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

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
“Aerospace Business”	being satellite precision manufacturing, satellite launch, aerospace measurement and control and aerospace data services to promote the marketisation of aerospace technology and to support regional aerospace commercialisation needs
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Thursday, 3 June 2021, being the closing date of the Offer, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror and approved by the Executive in accordance with the Takeovers Code
“Company”	Eternity Technology Holdings Limited (恒達科技控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1725)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Independent Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer
“Consideration”	the consideration of HK\$286,875,000 payable by the Offeror to the Vendor for the Acquisition
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“Elite Foster”	Elite Foster International Investment Limited (卓培國際投資有限公司), a company incorporated in the British Virgin Islands with limited liability, and a substantial shareholder of the Company, which is wholly-owned by Mr. Lu Wan Ching
“Elite Foster Irrevocable Undertaking”	the irrevocable undertaking dated 21 April 2021 given by Elite Foster in favour of the Offeror and the Company that it will not, among other things, tender or otherwise make any of the Elite Foster Shares available for acceptance of the Offer
“Elite Foster Shares”	the 33,750,000 Shares, representing 11.25% of the issued share capital of the Company, held by Elite Foster as at the Latest Practicable Date
“Encumbrance(s)”	any charge (fixed or floating), mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third-party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Facility”	the loan facility granted by Kingston Securities to the Offeror to finance the consideration payable for the Acquisition and the Offer, which is secured by the Share Charges
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“Group”	the Company, together with its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting, established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “INCU”	INCU Corporate Finance Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to their acceptance
“Independent Shareholder(s)”	the Shareholder(s), other than (i) the Offeror and parties acting in concert with it; and (ii) Elite Foster, which had undertaken not to accept the Offer in respect of the Elite Foster Shares
“Joint Announcement”	the announcement dated 22 April 2021 jointly issued by the Offeror and the Company in relation to, among others, the Acquisition and the Offer
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
“Last Trading Day”	12 April 2021, being the last trading date immediately prior to the date of the Joint Announcement
“Latest Practicable Date”	11 May 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheng”	Mr. Cheng Bin (程彬), an executive Director, and the younger brother of Ms. Cheng and the brother-in-law of Mr. Ma
“Mr. Ma”	Mr. Ma Fujun (馬富軍), the chairman of the Board, the chief executive officer, an executive Director, and the spouse of Ms. Cheng and the brother-in-law of Mr. Cheng
“Ms. Chen”	Ms. Chen Xiaoyuan (陳筱媛), an executive Director
“Ms. Cheng”	Ms. Cheng Lihong (程莉紅), the spouse of Mr. Ma and the elder sister of Mr. Cheng



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## DEFINITIONS

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“Offer”	the mandatory unconditional cash offer to be made by Kingston Securities, on behalf of the Offeror, to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) subject to the terms summarised in this Composite Document and in accordance with the Takeovers Code
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, being the period commencing from the date of the Joint Announcement, being 22 April 2021 and ending on the Closing Date
“Offer Price”	HK\$2.00 per Offer Share in respect of the Offer
“Offer Share(s)”	all the Share(s) in issue, other than (i) those already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) the Elite Foster Shares
“Offeror”	Hong Kong Aerospace Technology Group Limited (香港航天科技集團有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company. The entire issued share capital of the Offeror comprises 62.36% ordinary shares (class A) (“ <b>Class A Shares</b> ”) and 37.64% ordinary shares (class B) (“ <b>Class B Shares</b> ”), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan, and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds
“Overseas Shareholders”	the Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which shall for the purpose of this Composite Document, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, whose address is at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Date”	22 April 2021, being the date of the Joint Announcement

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## DEFINITIONS

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“Relevant Period”	the period commencing on the date falling six (6) months preceding the Relevant Date, being the date of commencement of the Offer Period, and ending on and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 April 2021 entered into between the Vendor and the Offeror in relation to the sale and purchase of the Sale Shares
“Sale Shares”	191,250,000 Shares, representing 63.75% of the issued share capital of the Company, sold by the Vendor to the Offeror subject to the provisions of the Sale and Purchase Agreement, and each a “Sale Share”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Share Charges”	the share charges entered into between Kingston Securities as chargee and the Offeror as chargor whereby the Offeror has agreed to charge to Kingston Securities as security for the Facility all of the Sale Shares upon Completion and the Shares to be acquired by the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Rich Blessing Group Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor under the Sale and Purchase Agreement, which is owned as to 62.91% by Mr. Ma, 20.00% by Ms. Chen, 14.89% by Ms. Cheng and 2.20% by Mr. Cheng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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## DEFINITIONS

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1. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
2. The singular includes the plural and vice versa, unless the context otherwise requires.
3. References to any appendix, paragraph and any sub-paragraph of them are references to the appendices to, and paragraphs of, this Composite Document and any sub-paragraph of them respectively.
4. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
5. Reference to one gender is a reference to all or any genders.

*Unless stated otherwise, in this Composite Document, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1.00 to HK\$1.19. No representation is made that the HK\$ amounts could have been or could be converted into RMB at such rate or any other rate or at all. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.*

*\* The English transliteration of the Chinese names in this Composite Document, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

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## LETTER FROM KINGSTON SECURITIES

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Kingston Securities Limited  
72/F  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

13 May 2021

*To the Independent Shareholders:*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
ETERNITY TECHNOLOGY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

Reference is made to the Joint Announcement, where the Offeror and the Company jointly announced, among other things, that on 15 April 2021, the Vendor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor had agreed to sell and the Offeror had agreed to purchase the Sale Shares, being 191,250,000 Shares, representing 63.75% of the issued share capital of the Company, for the Consideration of HK\$286,875,000 (being HK\$1.50 per Sale Share).

Completion took place on 21 April 2021.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 212,850,000 Shares, representing 70.95% of the issued share capital of the Company. The Offeror is required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

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## LETTER FROM KINGSTON SECURITIES

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This letter forms part of this Composite Document which sets out, among other things, the principal terms of the Offer, the information of the Offeror and the Offeror's intentions on the Company. Further details of the Offer and procedures for acceptance and settlement are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to consider carefully the information contained in the sections headed "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" in this Composite Document, the appendices to this Composite Document and the Form of Acceptance, and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

### PRINCIPAL TERMS OF THE OFFER

The Offer is being made by Kingston Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$2.00 in cash**

The Offer Price of HK\$2.00 per Offer Share is equal to the highest purchase price per Share paid by the Offeror within six (6) months prior to the commencement of the Offer Period.

The Offer is unconditional in all aspects.

As at the Latest Practicable Date, there were 300,000,000 Shares in issue and the Company did not have any outstanding options, warrants, securities or derivatives which are convertible or exchangeable into Shares.

### The Elite Foster Irrevocable Undertaking

As at the Latest Practicable Date, Elite Foster held 33,750,000 Shares, being the Elite Foster Shares, representing 11.25% of the issued share capital of the Company. On 21 April 2021, Elite Foster had given the Elite Foster Irrevocable Undertaking in favour of the Offeror and the Company, pursuant to which it had irrevocably and unconditionally undertaken that it, among other things, (a) would not tender or otherwise make any of the Elite Foster Shares available for acceptance under the Offer; and (b) would not whether directly or indirectly dispose of, charge, pledge, grant any option over or otherwise dispose of or create any encumbrances in respect of the Elite Foster Shares. The Elite Foster Irrevocable Undertaking shall be terminated and of no legal effect immediately if the Offer is withdrawn or closed.

As at the Latest Practicable Date, save for the Elite Foster Irrevocable Undertaking, none of the Offeror nor any parties acting in concert with it has received any irrevocable commitment not to accept the Offer. 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 thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made. The Company has not declared and has no intention of declaring any interim dividend before the close of the Offer.

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## LETTER FROM KINGSTON SECURITIES

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### Comparison of value

The Offer Price of HK\$2.00 per Offer Share represents:

- a discount of approximately 92.14% to the closing price of HK\$25.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 45.95% to the closing price of HK\$3.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 29.43% to the average closing price of approximately HK\$2.83 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 17.66% to the average closing price of approximately HK\$2.43 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 16.99% to the average closing price of approximately HK\$2.41 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days prior to and including the Last Trading Day; and
- a premium of approximately 101.45% over the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$1.00 per Share as at 31 December 2020 (based on a total of 300,000,000 Shares and the Group's audited consolidated net asset value attributable to the Shareholders of approximately RMB250,290,000 (equivalent to approximately HK\$297,845,100) as at 31 December 2020).

### Highest and lowest Share prices

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$31.1 per Share on 26 April 2021; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$1.13 per Share on 30 December 2020.

### Total value of the Offer

As at the Latest Practicable Date, there were 300,000,000 Shares in issue. On the basis of the Offer Price of HK\$2.00 per Offer Share, the issued share capital of the Company would be valued at HK\$600,000,000.

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## LETTER FROM KINGSTON SECURITIES

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As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 212,850,000 Shares, and after excluding the Elite Foster Shares pursuant to the Elite Foster Irrevocable Undertaking, and on the basis that there are 53,400,000 Shares subject to the Offer and assuming that there is no change in the issued share capital of the Company, in the event that the Offer is accepted in full, the aggregate value of the Offer is HK\$106,800,000.

### **Confirmation of financial resources available to the Offeror**

The maximum amount of cash payable by the Offeror in respect of acceptance of the Offer is HK\$106,800,000, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer. The Offeror intends to finance the consideration for the acceptance of the Offer by the Facility. The voting rights of the Shares subject to the Share Charges would not be transferred to Kingston Securities unless and until the security under the Share Charges shall have become enforceable, and Kingston Securities has elected to enforce the security thereunder, pursuant to the terms and conditions thereof. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the above Facility will not depend to any significant extent on the business of the Group.

Kingston Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration for full acceptance of the Offer.

### **Effect of accepting the Offer**

By validly accepting the Offer, the Independent Shareholders shall sell their Shares to the Offeror free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document.

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

### **Payment**

Settlement of the consideration in cash in respect of acceptances of the Offer will be made as soon as possible within seven (7) Business Days following the date of receipt of a duly completed acceptance of the Offer. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

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

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## LETTER FROM KINGSTON SECURITIES

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### **Hong Kong stamp duty**

In Hong Kong, the 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 Independent Shareholder on acceptance the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

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

### **Overseas Shareholders**

As the Offer to persons not being resident in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in respect of such jurisdictions).

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. The Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

### **Taxation advice**

The Independent 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, the Registrar, Kingston Securities, Kingston Corporate Finance, Octal Capital Limited, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, 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.



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## LETTER FROM KINGSTON SECURITIES

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### DEALING AND INTERESTS IN SECURITIES OF THE COMPANY

Save for the off-market acquisitions of (i) 10,330,000 Shares at the consideration of HK\$16,528,000 (being HK\$1.60 per Share); (ii) 5,400,000 Shares at the consideration of HK\$9,720,000 (being HK\$1.80 per Share); (iii) 5,870,000 Shares at the consideration of HK\$11,740,000 (being HK\$2.00 per Share), all on 12 April 2021; and (iv) the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror nor any person acting in concert with it had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period.

### OTHER INFORMATION

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the 212,850,000 Shares in which the Offeror is interested, none of the Offeror nor any person acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (ii) save for the Sale and Purchase Agreement, the Facility and the Share Charges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (iii) save for the Facility and the Share Charges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with it or any other associate of the Offeror and any other person;
- (iv) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company was managed on a discretionary basis by any fund managers or principal traders connected with the Offeror or any person acting in concert with it, and no such person had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (v) there is no agreement or arrangement to which the Offeror or any person acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (vi) none of the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vii) save for the Elite Foster Irrevocable Undertaking, none of the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept or reject the Offer or any irrevocable undertaking from any Shareholders not to sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Shares held by he/she/it/them;

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## LETTER FROM KINGSTON SECURITIES

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- (viii) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which was owned, controlled or directed by, or had been entered into by the Offeror, nor any person acting in concert with it;
- (ix) save for the Consideration, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendor or any party acting in concert with it in connection with the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;
- (x) save for the Facility and the Share Charges, there was no agreement, arrangement or understanding to transfer, charge or pledge any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror may acquire in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (xi) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor and any parties acting in concert with it on one hand, and the Offeror or any parties acting in concert with it on the other hand; and
- (xii) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it or (ii)(b) the Company, its subsidiaries or associated companies.

### INFORMATION ON THE GROUP

Details of the information on the Group are set out in the section headed “Letter from the Board — Information on the Group” in this Composite Document.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on 9 July 2019, and is principally engaged in the Aerospace Business, being satellite precision manufacturing, satellite launch, aerospace measurement and control and aerospace data services to promote the marketisation of aerospace technology and to support regional aerospace commercialisation needs, and investment holding. As at the Latest Practicable Date, the Offeror had commenced the “Golden Bauhinia Constellation” project by successfully launching the initial two satellites of the first formation of satellites running in the solar synchronous orbit. It is expected that by the end of 2021, the follow-up satellite of the first formation of the “Golden Bauhinia Constellation” will also be launched, and the second formation satellite of the “Golden Bauhinia Constellation” will be launched in due course. After the close of the Offer, the “Golden Bauhinia Constellation” project would be performed by the Company. The initial two satellites, which were acquired by the Offeror and launched as part of the said project, would be transferred to the Company in accordance with the Listing Rules and the Takeovers Code, where appropriate. Upon completion of the said project, the Offeror would be able to provide aerospace data services in Guangdong-Hong Kong-Macao Greater Bay Area, to establish

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## LETTER FROM KINGSTON SECURITIES

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a dynamic monitoring service system not affected by weather conditions. Such aerospace data will facilitate cities in Greater Bay Area to achieve fine management and ecological environment construction of the full-cycle monitoring in the fields of agricultural monitoring, disaster prevention and mitigation, comprehensive urban governance, watershed control and so on.

Meanwhile, the Offeror is in the course of conducting its research and development (R&D) as part of the Aerospace Business. The Offeror is also in the course of identifying suitable location in Guangdong-Hong Kong-Macao Greater Bay Area for the manufacturing of satellites. Taking into account the time for identifying location, construction and installation of plant facility and equipment, it is expected that the Offeror will only manage to commence the manufacturing of satellites in a few years' time in furtherance of its provision of aerospace data services.

The entire issued share capital of the Offeror comprises 62.36% ordinary shares (class A) (“**Class A Shares**”) and 37.64% ordinary shares (class B) (“**Class B Shares**”), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan (“**Mr. Sun**”), and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds. Amongst those 32 individuals, corporates and private equity funds, each of them holds less than 5% and the largest shareholder amongst them is a fund which holds 3.40%. Vision International Group Limited has the exclusive right to nominate a simple majority of the board of directors of the Offeror, whereas the other shareholders do not have such right.

Mr. Sun has over 30 years of experience in asset management. Mr. Sun has been the chairman and chief executive officer of Vision International Group Limited since 2016. From 2015 to 2016, he was the chairman of Great Wall International Finance Inc. Ltd. From 1993 to 2013, he was the chairman of Far East International Capital Management Ltd., and prior to that, he was the deputy manager of Jincheng Asset Management Ltd.

### **INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

The Offeror is the controlling shareholder of the Company and is interested in 70.95% of the issued share capital of the Company. The Group is principally engaged in the business of electronics manufacturing services. The Offeror is of the view that the Group is an attractive investment whose current businesses have established networks and reputation in the electronics manufacturing industry. Further, the Offeror is of the view that the Acquisition will allow the Company to act as a platform for its business development and operation. Hence, the Offeror also intends to expand the business coverage of the Group by engaging in the Aerospace Business immediately following Completion. As the Aerospace Business is a capital intensive business, the Offeror is of the view that the Company, being a listed company in Hong Kong, would be the alternate debt and equity fund raising platform for its business. As at the Latest Practicable Date, neither the Offeror nor the Aerospace Business had any capital commitment. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). Despite that the Aerospace Business and the existing principal businesses of the

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## LETTER FROM KINGSTON SECURITIES

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Group are of a different nature, following the close of the Offer, the Offeror intends that the Group will engage in the Aerospace Business and will also continue the existing principal businesses of the Group in parallel. Given the Offeror has knowledge on a pool of personnel who have expertise in the Aerospace Business, through the referral of the Offeror, the Company will employ new management and employees with the relevant expertise to carry out the Aerospace Business as and when appropriate in accordance with the Listing Rules and the Takeovers Code; while the existing management and employees of the Group will continue to manage and operate the existing principal businesses of the Group. The Offeror will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. Save for the potential change(s) to the composition of the Board (save for Mr. Ma) as mentioned below, the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror may re-deploy the human resources from time to time when it is deemed necessary or appropriate to the benefit of the Group.

Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board (save for Mr. Ma) at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (iii) as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any asset or business into the Group. The Offeror confirmed that save and except that Mr. Ma is the ultimate shareholder of the Vendor, there is no relationship between Mr. Ma and the Offeror or parties acting in concert with it. The Offeror considered that Mr. Ma has extensive experience in the existing business of the Group and is also the founder of the Group, Mr. Ma's continuous acting as the executive Director will be beneficial to the development of the existing business of the Group.

### **PROPOSED CHANGE OF BOARD COMPOSITION**

The Board is currently made up of six Directors, comprising three executive Directors, being Mr. Ma Fujun, Ms. Chen Xiaoyuan and Mr. Cheng Bin; and three independent non-executive Directors, being Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting.

Pursuant to the Sale and Purchase Agreement, each of Ms. Chen Xiaoyuan, Mr. Cheng Bin, Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting has resigned with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. the Closing Date).

The Offeror intends to nominate new director(s) to the Board to facilitate the business operation, management and strategy of the Group. The Offeror intends to appoint new Directors with effect not earlier than such date as permitted under Rule 26.4 of the Takeovers Code (i.e. with effect from immediately after the despatch of this Composite Document); accordingly, the Board proposed the appointment of the following individuals as new Directors in compliance with the Takeovers Code and the Listing Rules:

- (a) Dr. LAM Lee G. as an intended non-executive Director; and

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## LETTER FROM KINGSTON SECURITIES

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(b) Mr. LIAO Pin-tsung as an intended executive Director.

Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) (including the biographies of the new Directors) will be made immediately after their appointments.

### CHANGE IN BOARD LOT SIZE

The board lot size of the Shares will be changed from 5,000 Shares to 200 Shares with effect from 27 May 2021, which falls within the period when the Offer is open for acceptance. In this relation, new share certificates in board lots of 200 Shares each are available for free exchange from 12 May 2021 to 21 June 2021. Details of the expected timetable for the change in board lot size are set out in the announcement of the Company dated 5 May 2021.

Shareholders will not be precluded from accepting the Offer by reason of the aforesaid change in board lot size. All existing share certificates in board lots of 5,000 Shares each will continue to be good evidence of title to such Shares and be valid for transfer, delivery and settlement purposes under the Offer. For those Shareholders who have exchanged for new share certificates will lodge their new share certificates for acceptance of the Offer, whereas existing share certificates of those Shareholders who have not exchanged for new share certificates will also be accepted for such purpose.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange.

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

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. Each of the Offeror, the Directors to be appointed after the issue of this Composite Document and the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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## LETTER FROM KINGSTON SECURITIES

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Immediately following Completion, 53,400,000 Shares, representing 17.80% of the issued share capital of the Company, are held by the public. Accordingly, the Company does not fulfil the public float requirement as set out under the Listing Rules. The Offeror considers that the selling of any Shares by it or its parties acting in concert during the Offer Period is not encouraged as it may invoke unnecessary speculation from the market as to the reason why the Offeror on the one hand offers to acquire the Shares from the market, while on the other hand continuously sells the Shares held by it. To avoid any confusion and to ensure there is an orderly market, the Offeror considers that it would be more appropriate to place down part of its interest after the close of the Offer. As such, the Company has made an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and the Stock Exchange has granted the waiver.

The Offeror has undertaken to the Stock Exchange that it shall use all reasonable endeavours to take appropriate steps, which may include placing down part of the interest of the Offeror or parties acting in concert with it in the Company following the close of the Offer, to ensure restoration of the minimum percentage of the Shares as required under Rule 8.08(1)(a) of the Listing Rules to public hands. To restore the public float, the Offeror will either directly in the market dispose of or engage a placing agent for placing of 21,600,000 Shares together with all other Shares acquired by the Offeror upon the acceptance of the Offer. To expedite the restoration of the public float, the Offeror shall enter into a placing agreement on the Closing Date to allow the placing agent to commence placing procedure immediately following the close of the Offer so as to accelerate the placing process.

Further announcement(s) regarding the restoration of public float will be made by the Company as and when appropriate.

### **COMPULSORY ACQUISITION**

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

### **GENERAL**

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

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

The attention of the Overseas Shareholders is drawn to the section headed "Important notice" in this Composite Document and the paragraph headed "7. Overseas Shareholders" in Appendix I to this Composite Document.

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## LETTER FROM KINGSTON SECURITIES

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All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. None of the members of the Offeror and parties acting concert with it, the Company, Kingston Securities, Kingston Corporate Finance, Octal Capital Limited, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons 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 or in connection therewith.

### WARNING

**Independent Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.**

### ADDITIONAL INFORMATION

Your attention is drawn to the sections headed “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document and to consult your professional advisers, before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Kingston Securities Limited**  
**Chu, Nicholas Yuk-yui**  
*Director*

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LETTER FROM THE BOARD

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**Eternity Technology Holdings Limited**  
**恒達科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1725)**

*Executive Directors:*

Mr. Ma Fujun (*Chairman*)

Ms. Chen Xiaoyuan

Mr. Cheng Bin

*Registered office in Cayman Islands:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. Wu Chi-luen

Mr. Chan Chung Kik, Lewis

Mr. Chow Kit Ting

*Principal place of*

*business in Hong Kong:*

Room A, 12th Floor

Granville House

41C Granville Road

Tsim Sha Tsui

Kowloon, Hong Kong

13 May 2021

*To the Independent Shareholders:*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
ETERNITY TECHNOLOGY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

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

On 15 April 2021, the Vendor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor had agreed to sell and the Offeror had agreed to purchase the Sale Shares, being 191,250,000 Shares, representing 63.75% of the issued share capital of the Company, for the Consideration of HK\$286,875,000 (being HK\$1.50 per Sale Share). Completion took place on 21 April 2021. The Vendor ceased to be a Shareholder immediately after Completion.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 212,850,000 Shares, representing 70.95% of the issued share capital of the Company.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the Group, the Offeror and the Offer; (ii) the letter from Kingston Securities containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

INCU, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The full text of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document.

**You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

### PRINCIPAL TERMS OF THE OFFER

As disclosed in the section headed “Letter from Kingston Securities” in this Composite Document, Kingston Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$2.00 in cash**

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## LETTER FROM THE BOARD

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The Offer Price of HK\$2.00 per Offer Share is equal to the highest purchase price per Share paid by the Offeror within six (6) months prior to the commencement of the Offer Period.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and together with all rights now and thereafter attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

The Offer is unconditional in all aspects.

As at the Latest Practicable Date, there were 300,000,000 Shares in issue and the Company did not have any outstanding options, warrants, securities or derivatives which are convertible or exchangeable into Shares.

Further details of the Offer are set out in the section headed “Letter from Kingston Securities” in this Composite Document and the additional information contained in appendices to this Composite Document and the accompanying Form of Acceptance.

### **The Elite Foster Irrevocable Undertaking**

As at the Latest Practicable Date, Elite Foster held 33,750,000 Shares, being the Elite Foster Shares, representing 11.25% of the issued share capital of the Company. On 21 April 2021, Elite Foster had given the Elite Foster Irrevocable Undertaking in favour of the Offeror and the Company, pursuant to which it had irrevocably and unconditionally undertaken that it, among other things, (a) would not tender or otherwise make any of the Elite Foster Shares available for acceptance under the Offer; and (b) would not whether directly or indirectly dispose of, charge, pledge, grant any option over or otherwise dispose of or create any encumbrances in respect of the Elite Foster Shares. The Elite Foster Irrevocable Undertaking shall be terminated and of no legal effect immediately if the Offer is withdrawn or closed.

### **Offer Price**

The Offer Price of HK\$2.00 per Offer Share represents:

- a discount of approximately 92.14% to the closing price of HK\$25.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 45.95% to the closing price of HK\$3.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 29.43% to the average closing price of approximately HK\$2.83 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 17.66% to the average closing price of approximately HK\$2.43 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- a discount of approximately 16.99% to the average closing price of approximately HK\$2.41 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days prior to and including the Last Trading Day; and
- a premium of approximately 101.45% over the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$1.00 per Share as at 31 December 2020 (based on a total of 300,000,000 Shares and the Group's audited consolidated net asset value attributable to the Shareholders of approximately RMB250,290,000 (equivalent to approximately HK\$297,845,100) as at 31 December 2020).

### **Highest and lowest Share prices**

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$31.1 per Share on 26 April 2021; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$1.13 per Share on 30 December 2020.

### **Total value of the Offer**

As at the Latest Practicable Date, there were 300,000,000 Shares in issue. On the basis of the Offer Price of HK\$2.00 per Offer Share, the issued share capital of the Company would be valued at HK\$600,000,000.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 212,850,000 Shares, and after excluding the Elite Foster Shares pursuant to the Elite Foster Irrevocable Undertaking, and on the basis that there are 53,400,000 Shares subject to the Offer and assuming that there is no change in the issued share capital of the Company, in the event that the Offer is accepted in full, the aggregate value of the Offer is HK\$106,800,000.

### **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 can be found in the section headed "Letter from Kingston Securities" in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares have been listed on Main Board of the Stock Exchange since 16 August 2018. The Company is an investment holding company and the Group is principally engaged in the business of electronics manufacturing services which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the Group's customers in respect of their assembling and production of printed circuit board assemblies and fully-assembled electronic products.

Financial and general information in relation to the Group are set out in Appendix II and Appendix IV to this Composite Document.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date are as follows:

	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<i><b>The Offeror and parties acting in concert with it</b></i>				
The Offeror	21,600,000	7.20	212,850,000	70.95
<i><b>Other Shareholders</b></i>				
The Vendor	191,250,000	63.75	—	—
Elite Foster	33,750,000	11.25	33,750,000	11.25
The Independent Shareholders	<u>53,400,000</u>	<u>17.80</u>	<u>53,400,000</u>	<u>17.80</u>
<b>Total</b>	<u>300,000,000</u>	<u>100.00</u>	<u>300,000,000</u>	<u>100.00</u>

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Letter from Kingston Securities — Information on the Offeror" in this Composite Document and Appendix III to this Composite Document.

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## LETTER FROM THE BOARD

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### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed “Letter from Kingston Securities — Intentions of the Offeror regarding the Group” in this Composite Document.

The Board is aware of the Offeror’s intention to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Board is aware that, following the close of the Offer, the Offeror intends that the Group will engage in the Aerospace Business and will also continue (i) the existing principal businesses of the Group and (ii) the construction of production plant in Huizhou. The Board is aware that the Offeror will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. The Board is also aware that, save for the potential change(s) to the composition of the Board (save for Mr. Ma), the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror may re-deploy the human resources from time to time when it is deemed necessary or appropriate to the benefit of the Group.

The Board is aware that, save for the Offeror’s intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board (save for Mr. Ma) at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (iii) as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any asset or business into the Group.

The Board is aware of the intention of the Offeror in respect of the Group and its employees 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.

### PROPOSED CHANGE OF BOARD COMPOSITION

The Board is aware that the Offeror intends to nominate new director(s) to the Board to facilitate the business operation, management and strategy of the Group. The Board is also aware that the Offeror intends to appoint new Directors with effect not earlier than such date as permitted under Rule 26.4 of the Takeovers Code (i.e. with effect from immediately after the despatch of this Composite Document). Any changes to the members of the Board and the composition of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules.

Your attention is drawn to the section headed “Letter from Kingston Securities — Proposed change of Board composition” in this Composite Document.

### CHANGE IN BOARD LOT SIZE

The board lot size of the Shares will be changed from 5,000 Shares to 200 Shares with effect from 27 May 2021, which falls within the period when the Offer is open for acceptance. In this

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## LETTER FROM THE BOARD

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relation, new share certificates in board lots of 200 Shares each are available for free exchange from 12 May 2021 to 21 June 2021. Details of the expected timetable for the change in board lot size are set out in the announcement of the Company dated 5 May 2021.

Shareholders will not be precluded from accepting the Offer by reason of the aforesaid change in board lot size. All existing share certificates in board lots of 5,000 Shares each will continue to be good evidence of title to such Shares and be valid for transfer, delivery and settlement purposes under the Offer. For those Shareholders who have exchanged for new share certificates will lodge their new share certificates for acceptance of the Offer, whereas existing share certificates of those Shareholders who have not exchanged for new share certificates will also be accepted for such purpose.

### TAXATION ADVICE

The Independent 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, the Registrar, Kingston Securities, Kingston Corporate Finance, Octal Capital Limited, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, 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.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange.

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

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. Each of the Offeror, the Directors to be appointed after the issue of this Composite Document and the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Immediately following Completion, 53,400,000 Shares, representing 17.80% of the issued share capital of the Company, are held by the public. Accordingly, the Company does not fulfil the public float requirement as set out under the Listing Rules. As such, the Company has made an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and the Stock Exchange has granted the waiver.

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## LETTER FROM THE BOARD

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The Offeror has undertaken to the Stock Exchange that it shall use all reasonable endeavours to take appropriate steps, which may include placing down part of the interest of the Offeror or parties acting in concert with it in the Company following the close of the Offer, to ensure restoration of the minimum percentage of the Shares as required under Rule 8.08(1)(a) of the Listing Rules to public hands. Your attention is also drawn to the section headed “Letter from Kingston Securities — Public float and maintaining the listing status of the Company” in this Composite Document.

Further announcement(s) regarding the restoration of public float will be made by the Company as and when appropriate.

### OPINION AND RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors of the Company who have no direct or indirect interest in the Offer, namely, Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting, has been established to recommend the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the Offer.

The Independent Board Committee has appointed INCU, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

Your attention is drawn to (i) the section headed “Letter from the Independent Board Committee” as set out on pages 30 to 31 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders in respect of the Offer; and (ii) the section headed “Letter from the Independent Financial Adviser” set out on pages 32 to 54 of this Composite Document, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

### ADDITIONAL INFORMATION

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

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

By order of the Board of  
**Eternity Technology Holdings Limited**  
**Ma Fujun**  
*Chairman & Executive Director*

**Eternity Technology Holdings Limited**  
**恒達科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 1725)

13 May 2021

*To the Independent Shareholders:*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
ETERNITY TECHNOLOGY HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to the composite offer and response document dated 13 May 2021 jointly issued by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

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

INCUB has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the fairness and reasonableness of the Offer and as to the acceptance of the Offer. Your attention is drawn to the section headed “Letter from the Independent Financial Adviser” set out on pages 32 to 54 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

We also wish to draw your attention to the section headed “Letter from Kingston Securities” set out on pages 10 to 21 of the Composite Document which contains, inter alia, information about the Offer; the section headed “Letter from the Board” set out on pages 22 to 29 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### OPINION AND RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. However, the price of the Shares has been traded substantially higher than the Offer Price, since the publication of the Joint Announcement up to the Latest Practicable Date. As such, we recommend and remind the Independent Shareholders, who wish to dispose all or part of their shareholding, that they should closely monitor the market price and liquidity of the Shares during the Offer Period to dispose of their Shares in the market, should there be sufficient liquidity of the Shares; and the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer, and those who are unable to do so during the Offer Period should accept the Offer. Independent Shareholders are recommended to read the full text of the letter from the Independent Financial Adviser set out in the Composite Document.

For those Independent Shareholders who wish to realise their investment in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period by taking into account the thin historical trading volume of the Shares on the Stock Exchange as they may experience the difficulty in disposing of their Shares in the open market without creating downward pressure on the price of the Shares.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,

The Independent Board Committee of  
**Eternity Technology Holdings Limited**

**Wu Chi-luen**  
*Independent non-executive  
Director*

**Chan Chung Kik, Lewis**  
*Independent non-executive  
Director*

**Chow Kit Ting**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from INCU to the Independent Board Committee and the Independent Shareholders in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



INCU Corporate Finance Limited  
Unit D, 6/F, Bank of China Building,  
2A Des Voeux Road Central,  
Central, Hong Kong

13 May 2021

*To the Independent Board Committee,  
the Independent Shareholders of  
Eternity Technology Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE  
ALL THE ISSUED SHARES OF THE COMPANY  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY THE OFFEROR  
AND /OR PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer, details of which are set out in the Composite Document. This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

References are made to the Joint Announcement. On 15 April 2021 (after trading hours of the Stock Exchange), the Vendor and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendor had agreed to sell and the Offeror had agreed to purchase the Sale Shares, being 191,250,000 Shares, representing 63.75% of the issued share capital of the Company as at the date of the Joint Announcement, for the Consideration of HK\$286,875,000 (equivalent to HK\$1.50 per Sale Share). The Completion took place on 21 April 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Immediately before Completion, the Offeror held 21,600,000 Shares, representing approximately 7.20% of the issued share capital of the Company. Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 212,850,000 Shares, representing 70.95% of the total issued share capital of the Company. The Offeror is required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it.

### THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising all the independent non-executive Directors, to make recommendation to the Independent Shareholders in respect of the Offer. As a result, the Independent Board Committee comprising all independent non-executive Directors, namely Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting, has been established by the Company to advise the Independent Shareholders in respect of the Offer, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, INCU Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. We are not associated or connected with the Company, the Vendor or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company, the Vendor or the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting in concert with any of them.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete. We have reviewed the published information of the Company, including but not limited to, the announcements of the Company, the annual reports for the year ended 31 December 2019 (the “**2019 Annual Report**”) and 31 December 2020 (the “**2020 Annual Report**”), the information contained in the Composite Document and certain published information from the public domain. We have sought and received confirmation from the Directors and the management of the Group that no material information has been omitted or withheld from the information supplied and opinions expressed by them. The Company will notify the Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed by us as soon as possible if we become aware of any material changes for the information contained or referred to herein throughout the offer period. We consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information provided. We have also assumed that all representations contained or referred to in the Composite Document are true at the time they were made and at the date of the Composite Document.

We have not considered the tax consequences on the Independent Shareholders in respect of their acceptance or non-acceptance of the Offer since they vary depending on respective individual circumstances. The Independent Shareholders should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL TERMS OF THE OFFER

Kingston Securities is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the basis set out below:

**For each Offer Share . . . . . HK\$2.00 in cash**

The Offer Price of HK\$2.00 per Offer Share is equal to the highest purchase price per Share payable by the Offeror with six (6) months prior to the commencement of the Offer Period.

The Offer is unconditional in all respects.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and any other third-party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of the despatch of this Composite Document. As at the Latest Practicable Date, (i) the Company had not made, declared or paid any dividend; and (ii) the Company did not have any intention to make, declare or pay any future dividend/make other distributions until the Closing Date.

As at the Latest Practicable Date, there were 300,000,000 Shares in issue, of which 212,850,000 Shares (representing 70.95% of the issued share capital of the Company) were held by the Offeror and parties acting in concert with it. There were no outstanding warrants, options, derivatives or other securities convertible into Shares and the Company had 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.

As at the Latest Practicable Date, Elite Foster holds 33,750,000 Shares, being the Elite Foster Shares, representing 11.25% of the issued share capital of the Company. On 21 April 2021, Elite Foster has given the Elite Foster Irrevocable Undertaking in favour of the Offeror and the Company, pursuant to which it has irrevocably and unconditionally undertaken that it, among other things, (a) will not tender or otherwise make any of the Elite Foster Shares available for acceptance under the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Offer; and (b) will not whether directly or indirectly dispose of, charge, pledge, grant any option over or otherwise dispose of or create any encumbrances in respect of the Elite Foster Shares. The Elite Foster Irrevocable Undertaking shall be terminated and of no legal effect immediately if the Offer is withdrawn or closed.

As at the Latest Practicable Date, there were 300,000,000 Shares in issue. On the basis of the Offer Price of HK\$2.00 per Offer Share, the issued share capital of the Company would be valued at HK\$600,000,000. As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 212,850,000 Shares, and after excluding the Elite Foster Shares pursuant to the Elite Foster Irrevocable Undertaking, and on the basis that there are 53,400,000 Shares subject to the Offer and assuming that there is no change in the issued share capital of the Company, in the event that the Offer is accepted in full, the aggregate value of the Offer is HK\$106,800,000.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code which is administrated by the Executive.

Further details of the Offer (including the terms and procedures for acceptance of the Offer) are contained in the “Letter from Kingston Securities” and Appendix I to the Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to read the relevant sections in the Composite Document in full.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation in respect of the terms of the Offer, we have considered the following principal factors and reasons:

#### **1. Information of the Group**

##### ***1.1 Background information***

The Company was incorporated in Cayman Island with limited liability and its issued Shares have been listed on the Main Board of the Stock Exchange since 16 August 2018. The Company is an investment holding company and the Group is principally engaged in the business of electronics manufacturing services which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the Group’s customers in respect of their assembling and production of printed circuit board assemblies (the “PCBAs”) and fully-assembled electronic products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.2 Financial performance

Set forth below are the audited consolidated financial results of the Group for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 (“**FY2018**”, “**FY2019**” and “**FY2020**”, respectively) as extracted from the 2019 Annual Report and the 2020 Annual Report:

	<b>FY2020</b>	<b>FY2019</b>	<b>FY2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	547,825	546,325	546,693
<i>PCBAs</i>	258,612	194,456	136,041
<i>Fully-assembles electronic products</i>	289,213	351,869	410,652
Gross profit	49,594	60,479	65,807
Profit before income tax	20,327	29,187	25,328
Profit for the year attributable to equity holders of the Company	17,323	25,457	20,594
Earnings per Share (RMB cents)	5.77	8.49	8.13

*Note:* Key financial figures for FY2018 are shown in the table above for comparative purpose.

#### *FY2020 vs FY2019*

For FY2020, the Group recorded a total revenue of approximately RMB547.8 million, representing an increase of approximately 0.3% as compared to approximately RMB546.3 million for FY2019. As disclosed in the 2020 Annual Report, such increase was mainly attributable to the combined effects of (i) increased orders from new customers developed in FY2020 for PCBAs; (ii) decreased orders for banking and finance PCBAs due to the outbreak of COVID-19 as these banking and finance devices were mainly exported overseas by the customers; and (iii) decreased orders of mobile point of sale (the “**mPOS**”) products due to fierce competition and decreased price of the mPOS products in FY2020.

Though the Group noted an increase in revenue, the gross profit and gross profit margin has recorded a decrease in FY2020. For FY2020, the Group recorded a gross profit of approximately RMB49.6 million, representing a decrease of approximately 18.0% as compared to approximately RMB60.5 million for FY2019. The gross profit margin has been decreased from approximately 11.1% to 9.1% during the corresponding period. As disclosed in the 2020 Annual Report, such decrease was mainly attributable to the combined effect of (i) fixed operation costs incurred during the suspension period of the Group’s plant due to the outbreak of the COVID-19; (ii) orders from new customers for smart devices PCBAs with a lower gross profit margin due to fierce competition and the slowing down economy while orders from existing customers for banking and finance PCBAs with a higher gross profit decreased due to the outbreak of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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COVID-19 throughout the world during FY2020; (iii) increased outsourcing expenses incurred to speed up the production process in order to meet those customers' orders delayed in the first quarter of 2020 after the resumption of production in the production plant; and (iv) the price of raw materials was increasing since the outbreak of COVID-19.

The Group recorded a profit attributable to equity holders of the Company of approximately RMB17.3 million, representing a decrease of approximately 32.2% as compared to approximately RMB25.5 million for FY2019. Such decrease was due to the combined effect of (i) decrease in gross profit of approximately RMB10.9 million as discussed above; (ii) increase in operating administrative expenses for newly incorporated subsidiaries in Huizhou, the PRC; (iii) increase in impairment losses on financial assets; and (iv) increase in government grants received.

In spite of the Group has continued to record profit over years, no dividend has been paid or declared by the Company during FY2020.

### *FY2019 vs FY2018*

For FY2019, the Group recorded a total revenue of approximately RMB546.3 million, representing a decrease of approximately 0.1% as compared to approximately RMB546.7 million for FY2018. As disclosed in the 2019 Annual Report, such slight decrease was mainly attributable to the combined effects of (i) increase in demand on the PCBAs for banking and finance devices; (ii) introduction of one major customer for the products of PCBAs for smart devices; and (iii) decrease in purchase orders of the tablets triggered by the decreasing demand of tablets market.

Gross profit and gross profit margin have recorded a decrease in FY2019. For FY2019, the Group recorded a gross profit of approximately RMB60.5 million, representing a decrease of approximately 8.1% as compared to approximately RMB65.8 million for FY2018. The gross profit margin has been decreased from approximately 12.0% to 11.1% during the corresponding period. As disclosed in the 2019 Annual Report, such decrease was mainly attributable to the combined effect of (i) decrease in the gross profit margin of mPOS as the Group offered a more competitive price to customers due to fierce competition; (ii) increase in labor cost and depreciation expense as a result of addition of machinery; and (iii) increase in sales orders of banking and finance device and smart device as discussed above.

The Group recorded a profit attributable to equity holders of the Company of approximately RMB25.5 million for FY2019, representing an increase of approximately 23.8% as compared to approximately RMB20.6 million for FY2018. Such decrease was due to the combined effect of (i) one-off listing expenses and professional fees incurred for FY2018 for the listing of the Company; and (ii) increase in finance cost as a result of the increase in bank borrowings in FY2019.

In spite of the Group recorded a profit in both FY2019 and FY2018, no dividend had been paid or declared by the Company during FY2019 and FY2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.3 Financial position

Set out below is the summary of the consolidated financial position of the Group as at 31 December 2019 and 31 December 2020 as extracted from the 2020 Annual Report:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
<b>Non-current assets</b>		
Properties, plant and equipment	121,780	78,571
Intangible assets	1,283	1,735
Prepayments and deposits	15,845	1,329
Restricted cash	—	2,683
Deferred income tax assets	1,392	591
	140,300	84,909
<b>Current assets</b>		
Inventories	80,528	52,527
Contract assets	5,517	7,559
Trade and bills receivables	106,606	153,801
Prepayments, deposits and other receivables	29,718	21,031
Derivative financial instruments	399	—
Restricted cash	—	182
Pledged bank deposits	33,699	7,500
Short-term bank deposits	92	9,184
Cash and cash equivalents	178,904	107,856
	435,463	359,640
<b>Non-current liabilities</b>		
Deferred government grants	10,980	1,285
Lease liabilities	107	593
Bank borrowings	20,943	—
	32,030	1,878
<b>Current liabilities</b>		
Trade and bills payables	196,412	127,501
Other payables and accruals	45,664	30,892
Lease liabilities	5,855	10,051
Contract liabilities	33,248	15,679
Bank borrowings	5,799	16,422
Current income tax liabilities	6,465	5,945
	293,443	206,490
<b>Equity attributable to equity holders of the Company</b>	<b>250,290</b>	<b>236,181</b>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Balance of total non-current assets increased from approximately RMB84.9 million as at 31 December 2019 to approximately RMB140.3 million as at 31 December 2020, representing an increase of approximately RMB55.4 million or 65.3%. Such increase was mainly attributable to capital expenditure related to construction of production plant in Huizhou, the addition of a piece of land use right, office equipment, plant and machinery and intangible assets.

Balance of total current assets increased from approximately RMB359.6 million as at 31 December 2019 to approximately RMB435.5 million as at 31 December 2020, representing an increase of approximately RMB75.9 million or 21.1%. Such increase was mainly due to the combined effect of (i) increase in inventories held by the Group of approximately RMB28.0 million; (ii) increase in pledged bank deposit of approximately RMB26.2 million for the facilities granted by banks to the Group, a performance bond to a new customer and security for the forward exchange contracts; (iii) increase in cash and cash equivalents of approximately RMB71.0 million as a result of positive operating cash flows during FY2020; and (iv) decrease in trade and bill receivables of approximately RMB47.2 million as a result of settlement and provision for impairment in FY2020.

Balance of total current liabilities increased from RMB206.5 million as at 31 December 2019 to approximately RMB293.4 million as at 31 December 2020, representing an increase of approximately RMB86.9 million or 42.1%. Such increase was mainly attributable to the combined effect of (i) increase in trade and bills payables of approximately RMB68.9 million; (ii) increase in other payables and accruals of approximately RMB14.8 million as a result of the construction works in Huizhou not yet settled; (iii) increase in contract liabilities of approximately RMB17.5 million; and (iv) decrease in short-term bank borrowings of approximately RMB10.6 million.

Balance of total non-current liabilities increased from approximately RMB1.9 million as at 31 December 2019 to approximately RMB32.0 million as at 31 December 2020, representing an increase of approximately RMB30.1 million. Such increase was mainly due to new bank borrowings for the construction of the production plants in Huizhou and increase in deferred government grants.

The gearing ratio of the Group, which was calculated based on total borrowings divided by total equity attributable to owners of the Company, was approximately 10.7% and 7.0% as at 31 December 2020 and 31 December 2019 respectively. Such increase was attributable to an increased borrowing for the construction of the production plants in Huizhou.

Based on the total number of issued Shares of 300,000,000 as at 31 December 2020 and 31 December 2019, the net asset value per Share as at 31 December 2020 and 31 December 2019 amounted to approximately HK\$0.83 and HK\$0.79 respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Prospects and outlook of the Group and the Aerospace Business

#### *The Group*

The Group is principally engaged in the manufacturing of electronic components and sale of PCBAs and fully-assembled electronic products such as mPOS, tablets, mobile phones, digital projectors and photovoltaic inverters. As disclosed in the 2020 Annual Report, the Board considers that the Group's operating environment will remain challenging due to the spread of COVID-19 around the world and the escalation in tensions between the PRC and the US.

With reference to a statistic issued by the National Bureau of Statistics of China\* (中國國家統計局), the total number of integrated circuits produced has been increased from approximately 185.3 billion in 2018 to approximately 261.5 billion in 2020, representing a CAGR of approximately 18.79%. Such increasing trend represents an increasing demand for the integrated circuits and related electronic components in the PRC. However, as disclosed in the section headed "1.2 financial performance of the Group" above, the Group did not record a material increase in revenue nor gross profit from FY2018 to FY2020 as a result of a fierce competition in the market and more competitive price has been offered to its customers which narrow down the gross profit margin these years. We noted that there was a downward trend in the gross profit margin of the Group from FY2018 to FY2020, decreasing from approximately 12.0% in FY2018 to 9.1% in FY2020. As discussed with the management of the Company, considering that such fierce competition and competitive pricing strategy has been ongoing since FY2019, and the price of raw materials has been increasing, the Company expects that the fierce competition will continue in the coming future.

Despite the fact that there is an increasing demand in integrated circuits and related products in PRC in the recent years, however, having considered that (i) there is a downward pressure of profitability due to a fierce competition in the market as discussed under section headed "1.2 Financial performance of the Group" above; (ii) the outbreak of COVID-19 has slowed down the economic activities and decreased the orders from overseas customers; (iii) the operating environment will remain challenging due to the escalation in tensions between the PRC and the U.S.; and (iv) there is no guarantee that the Group can improve its profitability after construction of its own production plants in Huizhou, we consider that the Group's business prospects and outlook would be subject to uncertainties in short run to medium run.

#### *The Aerospace Business*

With reference to the section headed "Intentions of the Offeror Regarding the Group" under the "Letter from Kingston Securities", the Offeror intends that the Group will engage in the Aerospace Business and will also continue the existing principal businesses of the Group in parallel. As at the Latest Practicable Date, the Offeror is still in the course of conducting its research and development as part of the Aerospace Business and identifying suitable location for manufacturing of satellites. In view of that, we have also conducted a desktop research on the prospects and outlook of the Aerospace Business.

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With reference to the second edition of *Smart City Blueprint for Hong Kong (Blueprint 2.0)* issued by the Innovation and Technology Bureau of the Hong Kong government, the Hong Kong government has continued to enhance and expand existing city management measures and services under six smart areas, namely “Smart Mobility”, “Smart Living”, “Smart Environment”, “Smart People”, “Smart Government” and “Smart Economy”. It aims to bring benefits and convenience to the public so that residents can better perceive the benefits from smart city and innovation and technology in their daily lives. As stated in the section headed “*Information of the Offeror*” below, upon completion of the “Golden Bauhinia Constellation” project, the Offeror would be able to provide aerospace data services in Guangdong-Hong Kong-Macao-Greater Bay Area to facilitate city management and ecological environment construction. As such, since the smart city management is one of the key projects initiated by the Hong Kong government, we believe that the Aerospace Business will be able to capture the business opportunities around the fast growing of the new economy industry in Hong Kong as well as the Guangdong-Hong Kong-Macao-Greater Bay Area.

In spite of the fact that the Aerospace Business has a growth potential in the future, however, having considered that (i) as stated in section headed “*Information of the Offeror*” below, the Offeror is still in the course of identifying suitable location in Guangdong-Hong Kong-Macao Greater Bay Area for the manufacturing of satellites and conducting its research and development as part of the Aerospace Business; and (ii) the lack of any detailed business plan regarding the role of the Company in the Aerospace Business and the capital commitment to be required to kickstart the Aerospace Business, we consider that the business prospects of the Group on the Aerospace Business would be subject to uncertainties in short run to medium run.

### **3. Information of the Offeror**

As stated in the “Letter from Kingston Securities” contained in the Composite Document, the Offeror is a company incorporated in Hong Kong with limited liability on 9 July 2019 and is principally engaged in the Aerospace Business, being satellite precision manufacturing, satellite launch, aerospace measurement and control and aerospace data services to promote the marketisation of aerospace technology and to support regional aerospace commercialisation needs, and investment holding. As at the Latest Practicable Date, the Offeror had commenced the “Golden Bauhinia Constellation” project by successfully launching the initial two satellites of the first formation of satellites running in the solar synchronous orbit. It is expected that by the end of 2021, the follow-up satellite of the first formation of the “Golden Bauhinia Constellation” will also be launched, and the second formation satellite of the “Golden Bauhinia Constellation” will be launched in due course. After the close of the Offer, the “Golden Bauhinia Constellation” project would be performed by the Company. The initial two satellites, which were acquired by the Offeror and launched as part of the said project, would be transferred to the Company in accordance with the Listing Rules and the Takeovers Code, where appropriate. Upon completion of the said project, the Offeror would be able to provide aerospace data services in Guangdong-Hong Kong-Macao Greater Bay Area, to establish a dynamic monitoring service system not affected by weather conditions. Such aerospace data will facilitate cities in Greater Bay Area to achieve fine management and ecological environment construction of the full-cycle monitoring in the fields of agricultural monitoring, disaster prevention and mitigation, comprehensive urban governance, watershed control and so on.

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Meanwhile, the Offeror is in the course of conducting its research and development (R&D) as part of the Aerospace Business. The Offeror is also in the course of identifying suitable location in Guangdong-Hong Kong-Macao Greater Bay Area for the manufacturing of satellites. Taking into account the time for identifying location, construction and installation of plant facility and equipment, it is expected that the Offeror will only manage to commence the manufacturing of satellites in a few years' time in furtherance of its provision of aerospace data services.

The entire issued share capital of the Offeror comprises 62.36% ordinary shares (class A) (“**Class A Shares**”) and 37.64% ordinary shares (class B) (“**Class B Shares**”), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan (“**Mr. Sun**”), and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds. Amongst those 32 individuals, corporates and private equity funds, each of them holds less than 5% and the largest shareholder amongst them is a fund which holds 3.40%. Vision International Group Limited has the exclusive right to nominate a simple majority of the board of directors of the Offeror, whereas the other shareholders do not have such right.

Mr. Sun has over 30 years of experience in asset management. Mr. Sun has been the chairman and chief executive officer of Vision International Group Limited since 2016. From 2015 to 2016, he was the chairman of Great Wall International Finance Inc. Ltd. From 1993 to 2013, he was the chairman of Far East International Capital Management Ltd., and prior to that, he was the deputy manager of Jincheng Asset Management Ltd.

#### **4. Intentions of the Offeror regarding the Group and proposed change of the Board composition**

As stated in the “*Letter from Kingston Securities*”, upon Completion, the Offeror has become the controlling shareholder of the Company and is interested in 70.95% of the issued share capital of the Company.

The Group is principally engaged in the business of electronics manufacturing services. The Offeror is of the view that the Group is an attractive investment whose current businesses have established networks and reputation in the electronics manufacturing industry. Further, the Offeror is of the view that the Acquisition will allow the Company to act as a platform for its business development and operation. Hence, the Offeror also intends to expand the business coverage of the Group by engaging in the Aerospace Business following Completion. As the Aerospace Business is a capital-intensive business, the Offeror is of the view that the Company, being a listed company in Hong Kong, would be the alternate debt and equity fund raising platform for its business. As at the Latest Practicable Date, neither the Offeror nor the Aerospace Business had any capital commitment. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

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The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). Despite that the Aerospace Business and the existing principal businesses of the Group are of a different nature, following the close of the Offer, the Offeror intends that the Group will engage in the Aerospace Business and will also continue the existing principal businesses of the Group in parallel. Given the Offeror has knowledge on a pool of personnel who have expertise in the Aerospace Business, through the referral of the Offeror, the Company will employ new management and employees with the relevant expertise to carry out the Aerospace Business as and when appropriate in accordance with the Listing Rules and the Takeovers Code; while the existing management and employees of the Group will continue to manage and operate the existing principal businesses of the Group. The Offeror will continue to review the business operations and financial position of the Group from time to time for development of a sustainable business plan and strategy to the Group. Save for the potential change(s) to the composition of the Board (save for Mr. Ma) as mentioned below, the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror may re-deploy the human resources from time to time when it is deemed necessary or appropriate to the benefit of the Group.

Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board (save for Mr. Ma) at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (iii) as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group. The Offeror confirmed that save and except that Mr. Ma is the ultimate shareholder of the Vendor, there is no relationship between Mr. Ma and the Offeror or parties acting in concert with it. The Offeror considered that Mr. Ma has extensive experience in the existing business of the Group and is also the founder of the Group, Mr. Ma's continuous acting as the executive Director will be beneficial to the development of the existing business of the Group.

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Ma Fujun, Ms. Chen Xiaoyuan and Mr. Cheng Bin, and three independent non-executive Directors, namely Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting.

Pursuant to the Sale and Purchase Agreement, each of Ms. Chen Xiaoyuan, Mr. Cheng Bin, Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting, has resigned with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. the Closing Date).

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The Offeror intends to nominate new director(s) to the Board to facilitate the business operation, management and strategy of the Group. The Offeror intends to appoint new Director(s) with effect not earlier than such date as permitted under Rule 26.4 of the Takeovers Code (i.e. with effect from immediately after the despatch of this Composite Document); accordingly, the Board proposed the appointment of the following individuals as new Directors in compliance with the Takeovers Code and the Listing Rules:

- (a) Dr. LAM Lee G. as an intended non-executive Director; and
- (b) Mr. LIAO Pin-Tsung as an intended executive Director.

Save as disclosed above, the Offeror has not reached any final decision as to who will be nominated as new Directors and which Director(s) will resign as at the Latest Practicable Date. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) (including the biographies of the new Directors) will be made immediately after their appointments.

We note that the Group will engage in the Aerospace Business and continue its existing principal business (i.e. electronic manufacturing services) in parallel as discussed above. However, having considered that the Offeror has not yet formulated any concrete plans on the business developments of the Aerospace Business for the Group and alternatively the amount of capital commitments to be required by the Group and has yet to finalise the change of board composition and employment of new management and employees with relevant expertise in the new business as at the Latest Practicable Date, we consider that the business operations and future prospects of the Company in the Aerospace Business would be subject to uncertainties. Independent Shareholders are advised to closely monitor the development of the Aerospace Business.

### **5. Principal terms of the Offer**

The Offer Price of HK\$2.00 per Offer Share represents:

- (a) a discount of approximately 92.14% to the closing price of HK\$25.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 45.95% to the closing price of HK\$3.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 29.43% to the average closing price of HK\$2.83 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 17.66% to the average closing price of approximately HK\$2.43 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;

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- (e) a discount of approximately 16.99% to the average closing price of HK\$2.41 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days prior to and including the Last Trading Day; and
- (f) a premium of approximately 101.45% over the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$1.00 per Share as at 31 December 2020 (based on a total of 300,000,000 Shares and the Group's audited consolidated net asset value attributable to the Shareholders of approximately RMB250,290,000 (equivalent to approximately HK\$297,845,100) as at 31 December 2020).

### *Historical price performance of the Shares*

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 April 2020, being approximately twelve-month period preceding the commencement of the Offer Period, up to and including the Latest Practicable Date (the “**Review Period**”), as illustrated in the chart below. We consider that the Review Period, covering a full year prior to the Offer Period, (i) is appropriate for reviewing the recent financial position of the Group which covers the annual results for FY2020; (ii) represents a reasonable period to provide a general overview of the recent price performance of the Shares for conducting an analysis against the Offer Price; and (iii) is sufficient and a common market practice.

*Chart 1: Share price performance against the Offer Price during the Review Period*



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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As shown in Chart 1 above, the closing price of the Shares ranged from HK\$1.13 recorded on 30 December 2020 to HK\$3.70 recorded from 12 April 2021 during the period from 1 April 2020 to 12 April 2021, being the Last Trading Day (both dates inclusive, the “**Pre-Announcement Period**”), with an average of approximately HK\$1.57 per Share. The Offer Price represents a premium of approximately 27.75% over the average price during the Pre-Announcement Period.

Subsequently, trading in the Shares was suspended, at the request of the Directors, from 2:09 p.m. on 12 April 2021 to 21 April 2021 (both days inclusive), pending the release of an announcement regarding inside information pursuant to the Takeovers Code. Following the release of the Joint Announcement and the resumption of trading in the Shares on 22 April 2021, the closing price of the Shares increased from HK\$3.70 on the Last Trading Day to HK\$15.70 on the first trading day after resumption (i.e. 22 April 2021). During the period from 22 April 2021 up to the Latest Practicable Date (the “**Post Announcement Period**”), the closing price of the Shares ranged from HK\$15.70 recorded on 22 April 2021 to HK\$31.10 recorded on 26 April 2021 with an average of approximately HK\$26.26 per Share. The Offer Price represents a discount of approximately 92.39% to the average price during the Post Announcement Period. As advised by the Directors, they were not aware of any other specific event that might cause the substantial increase in trading price in such period.

If the Shares continue to trade substantially above the Offer Price, the Independent Shareholders may dispose of their Shares in the open market at a higher price than the Offer Price instead of accepting the Offer. Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Group 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 amount receivable under the Offer and there is sufficient liquidity in the Shares in the open market.



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### *Liquidity of the Shares*

The table below sets out the trading volume of the Shares during the Review Period.

Month	Number of trading days of the Shares in each month/period <i>(Note 1)</i>	Total trading volume of the Shares in each month/period	Average daily trading volume of the Shares	Approximate % of average daily trading volume to total number of Shares issued <i>(Note 2)</i>	Approximate % of the average daily trading volume to total Shares held by public Shareholders <i>(Note 3)</i>
<b>Pre-Announcement Period</b>					
2020					
April	19	5,985,000	315,000	0.105%	0.590%
May	20	5,350,000	267,500	0.089%	0.501%
June	21	4,090,000	194,762	0.065%	0.365%
July	22	3,015,000	137,045	0.046%	0.257%
August	21	3,110,000	148,095	0.049%	0.277%
September	22	2,165,000	98,409	0.033%	0.184%
October	18	85,000	4,722	0.002%	0.009%
November	21	1,005,000	47,857	0.016%	0.090%
December	22	3,125,000	142,045	0.047%	0.266%
2021					
January	20	2,620,000	131,000	0.044%	0.245%
February	18	19,389,400	1,077,189	0.359%	2.017%
March	23	4,140,000	180,000	0.060%	0.337%
April (up to and including the Last Trading Day)	5	5,420,000	1,084,000	0.361%	2.030%
<b>Post-Announcement Period</b>					
April (from 22 April to 30 April)	7	26,915,883	3,845,126	1.282%	7.201%
May (up to the Latest Practicable Date)	7	2,841,000	405,929	0.135%	0.760%

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

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*Note 1: Number of trading days of the Shares represents number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.*

*Note 2: The calculation is based on the number of the Shares in issue as at the Latest Practicable Date.*

*Note 3: The calculation is based on 53,400,000 Shares held by the public, according to the Joint Announcement.*

Based on the above table, the average daily trading volume of the Shares in the Review Period ranged from approximately 0.002% to approximately 1.282% of the total issued Shares as at the Latest Practicable Date. The average daily trading volume of the Shares during the Review Period was approximately 335,552 Shares, representing approximately 0.112% of the total issued Shares of the Company. The average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.009% to approximately 7.201% during the Review Period. Although the average daily trading volume of the Shares as a percentage of public float of the Company increased substantially since the publication of the Joint Announcement, Shareholders and potential investors of the Company should note that the number of trading days of which there is no transaction in the Shares, on the contrary, accounted for over 30% of the trading days during the Review Period.

During the Pre-Announcement Period, we noted that the average daily trading volume of the Company was relatively high in February 2021 and April 2021 (i.e. 1 to 12 April 2021), representing approximately 0.036% of the total number of the Shares in issue as at the Latest Practicable Date and approximately 2.0% of the public float of the Company. As advised by the Directors, they were not aware of any event that might cause the relatively higher trading volume in such periods.

For the Post-Announcement Period, we noted that the average daily trading volume of the Company was relatively higher than the rest of the Review Period. A possible explanation of the relatively higher trading volume in such period was due to the market reaction resulted from the Joint Announcement released on 22 April 2021. As advised by the Directors, they were not aware of any other specific event that might cause the relatively higher trading volume in such period other than the information stated in the Joint Announcement.

Other than the average daily trading volume of Shares increased significantly during the Post-Announcement Period, being the highest trading volume during the Review Period, the average daily trading volume remained at a low level throughout the Review Period. Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for those who wish to realise part or all of their investment in the Company in the open market and whether their disposal of Shares will exert a downward pressure on the market prices of the Shares.

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### *Comparable analysis*

To further evaluate the fairness and reasonableness of the Offer Price, we have attempted to carry out comparable companies analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted comparison benchmarks in the evaluation of a company, namely the price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”).

We have attempted to identify comparable companies which (i) are listed on the Main Board of Stock Exchange; (ii) have principal business being similar to that of the Group (i.e. over 90% of their revenue generated from providing electronics manufacturing services as disclosed in their respective latest financial year); and (iii) have market capitalisation below HK\$1,500 million. Based on these criteria and the public information available on the Stock Exchange’s website, we have identified an exhaustive list of a total of 7 companies listed on the Main Board of the Stock Exchange (the “**Comparable Companies**”).

The following table sets out the P/E Ratios and the P/B Ratios of the Comparable Companies based on their closing price as at the Latest Practicable Date and their latest published financial information:

<b>Company Name</b>	<b>Company Business</b>	<b>Market Capitalisation</b> <i>(HK\$ million)</i> <i>(Note 1)</i>	<b>P/E Ratio</b> <i>(Note 2)</i>	<b>P/B Ratio</b> <i>(Note 3)</i>
Alco Holdings Limited (stock code: 328)	Designing, manufacturing and selling of consumer electronic product	171.41	N/A <i>(Note 5)</i>	0.32
Alltronics Holdings Limited (stock code: 833)	manufacture and trading of electronic products, plastic moulds, plastic and other components for electronic products	378.45	3.09	0.84
Fujikon Industrial Holdings Limited (stock code: 927)	design, manufacturing, marketing and trading of electro-acoustic products, accessories and other electronic products	383.26	13.22	0.59

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Company Name	Company Business	Market Capitalisation (HK\$ million) (Note 1)	P/E Ratio (Note 2)	P/B Ratio (Note 3)
Link-Asia International MedTech Group Limited (stock code:1143)	Electronic manufacturing services	831.93	N/A (Note 5)	2.82
Sprocomm Intelligence Limited (stock code:1401)	designing, manufacturing and sales of mobile phones and printed circuit board assembly ("PCBA") and internet of things ("IOT") related products and investment holding	760.00	20.68	1.92
Sky Light Holdings Limited (stock code: 3882)	sales, development and manufacture of home surveillance cameras, digital imaging products and other electronic products	171.49	N/A (Note 5)	0.79
Wise Ally International Holdings Limited (stock code: 9918)	manufacturing and sales of electronic products	272.00	187.46 (Note 6)	1.98
		<b>Average</b>	<b>12.33</b>	<b>1.32</b>
			<b>Median</b>	<b>13.22</b>
			<b>Maximum</b>	<b>20.68</b>
			<b>Minimum</b>	<b>3.09</b>
The Company		<b>600.00</b> (Note 4)	<b>29.11</b>	<b>2.01</b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes 1: The market capitalisation is calculated based on the share price and number of issued shares of the respective companies as at the Latest Practicable Date.

Notes 2: The P/E Ratios of the Comparable Companies are calculated based on their respective market capitalisation divided by their respective profit attributable to owners as extracted from their latest published annual reports.

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*Note 3: The P/B Ratios of the Comparable Companies are calculated based on their respective market capitalisation divided by the audited consolidated net assets attributable to equity shareholders as disclosed in their respective latest published annual reports or interim reports.*

*Note 4: The implied market capitalisation is calculated based on the Offer Price and number of issued shares of the Company as at the Latest Practicable Date (i.e. 300,000,000 Shares).*

*Note 5: The unavailable P/E Ratios are due to the net loss of the respective Comparable Companies for their latest financial year.*

*Note 6: Its P/E ratio is considered as an outlier as its P/E ratio is exceptionally large.*

The implied P/E Ratio of the Company is approximately 29.11 times, which is calculated as the market capitalisation of the Company of approximately HK\$600.00 million (i.e. multiplied the Offer Price and the total number of issued shares of the Company as at the Latest Practicable Date) divided by the profit attributable to the owners of the Company for FY2020 of approximately RMB 17.32 million (equivalent to approximately HK\$20.61 million).

In addition, the implied P/B ratio of the Company as approximately 2.01 times, which is calculated as the Offer Price of HK\$2.00 divided by the unaudited consolidated net asset value attributable to the equity holders of the Company per Share of HK\$1.00 as at 31 December 2020, being net assets attributable to equity shareholders of the Company of approximately RMB250.29 million (equivalent to approximately HK\$297.85 million) divided by 300,000,000 Shares of the Company.

Excluding the outlier, the P/E Ratios of the Comparable Companies ranged from approximately 3.09 times to 20.68 times with an average of approximately 12.33 times and a median of approximately 13.22 times. The implied P/E Ratio of the Company, based on the Offer Price, of approximately 29.11 times, is substantially higher than the range of the P/E Ratios of the Comparable Companies.

Moreover, the P/B Ratios of the Comparable Companies ranged from approximately 0.32 times to 2.82 times with an average of approximately 1.32 times and a median of approximately 0.84 times. The implied P/B Ratio of the Company, based on the Offer Price, of approximately 2.01 times, is at the high-end of the P/B Ratios of the Comparable Companies.

### ***Public float and maintaining the listing status of the Company***

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the “Letter from Kingston Securities”, the Offeror intends to maintain the listing of the Shares on the Stock Exchange. Each of the Offeror, the Directors to be appointed after the issue of the Composite Document and the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. Immediately following Completion, 53,400,000 Shares, representing 17.80% of the issued share capital of the Company, are held by the public. Accordingly, the Company does not fulfil the public float requirement as set out under the Listing Rules. The Offeror considers that the selling of any Shares by it or its parties acting in concert during the Offer Period is not encouraged as it may invoke unnecessary speculation from the market as to the reason why the Offeror on the one hand offers to acquire the Shares from the market, while on the other hand continuously sells the Shares held by it. To avoid any confusion and to ensure there is an orderly market, the Offeror considers that it would be more appropriate to place down part of its interest after the close of the Offer. As such, the Company has made an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and the Stock Exchange has granted the waiver.

The Offeror has undertaken to the Stock Exchange that it shall use all reasonable endeavours to take appropriate steps, which may include placing down part of the interest of the Offeror or parties acting in concert with it in the Company following the close of the Offer, to ensure restoration of the minimum percentage of the Shares as required under Rule 8.08(1)(a) of the Listing Rules to public hands. To restore the public float, the Offeror will either directly in the market dispose of or engage a placing agent for placing of, 21,600,000 Shares together with all other Shares acquired by the Offeror upon the acceptance of the Offer. To expedite the restoration of the public float, the Offeror shall enter into a placing agreement on the Closing Date to allow the placing agent to commence placing procedure immediately following the close of the Offer so as to accelerate the placing process. Further announcement(s) regarding the restoration of public float will be made by the Company as and when appropriate.

### **OPINION AND RECOMMENDATION**

Having considered the abovementioned principal factors and reasons set out in this letter, in particular,

- (i) the historical financial results of the Group, including the drop in gross profit and net profit from FY2018 to FY2020, and the uncertainties in the future prospects and development strategy of the Group since the Offeror has not laid down any detailed business plan and has yet to finalise the change of board composition as at the Latest Practicable Date;
- (ii) the Company has not declared and distributed any cash dividends since listing of its Shares on the Stock Exchange on 16 August 2018 despite the Company remains profitable over years, and therefore there is no assurance that the Company will pay dividends in future;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the Offer Price represents a premium of approximately 27.75% over the average price during the Pre-Announcement Period and a premium of approximately 101.45% over the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$1.00 per Share as at 31 December 2020;
- (iv) despite that the Offer Price represents a discount of approximately 45.95% to the closing price quoted on the Last Trading Day, the closing prices of the Shares have fluctuated widely in the last thirty (30) consecutive trading days prior to and including the Last Trading Day, ranged from HK\$1.96 to HK\$3.70 with an average of HK\$2.41 (i.e. the Offer Price represents a discount of approximately 16.99% to such average price), and there is no assurance that the trading price will continue to maintain at a level higher than the Offer Price after the Offer Period;
- (v) the historical average daily trading volume of the Shares has been relatively thin during the Pre-Announcement Period as analysed, and that the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing material adverse impact on the market price level of the Shares;
- (vi) the implied P/E Ratio of the Company is substantially higher than range of the P/E Ratios of the Comparable Companies; and
- (vii) the implied P/B Ratio of the Company is at the high-end of the P/B Ratios of the Comparable Companies,

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned.

However, having said that, we note that the price of the Shares has been traded substantially higher than the Offer Price (i.e. HK\$2.00 per Share) since the publication of the Joint Announcement. As such, we recommend the Independent Board Committee to advise the Independent Shareholders who wish to dispose all or part of their shareholding, are reminded that they should closely monitor the market price and liquidity of the Shares during the Offer Period, to dispose of their Shares in the market should there be sufficient liquidity of the Shares and the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer, and those who are unable to do so during the Offer Period should accept the Offer.

Independent Shareholders who wish to retain some or all of their investments in the securities of the Company, are reminded to monitor the development of the Group, in particular the Offeror's business strategy, and any announcements of the Company during and after the Offer Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As different Independent Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer or disposing any of their Shares in the open market.

Independent Shareholders should note that in making our recommendation, we express no opinion on the business strategy, the future performance of the Group and of its underlying businesses.

Yours faithfully  
For and on behalf of  
**INCU Corporate Finance Limited**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

\* *For identification purpose only*



**1. PROCEDURES FOR ACCEPTANCE OF THE OFFER**

The board lot size of the Shares will be changed from 5,000 Shares to 200 Shares with effect from 27 May 2021, which falls within the period when the Offer is open for acceptance. In this relation, new share certificates in board lots of 200 Shares each are available for free exchange from 12 May 2021 to 21 June 2021. Details of the expected timetable for the change in board lot size are set out in the announcement of the Company dated 5 May 2021.

Shareholders will not be precluded from accepting the Offer by reason of the aforesaid change in board lot size. All existing share certificates in board lots of 5,000 Shares each will continue to be good evidence of title to such Shares and be valid for transfer, delivery and settlement purposes under the Offer. For those Shareholders who have exchanged for new share certificates will lodge their new share certificates for acceptance of the Offer, whereas existing share certificates of those Shareholders who have not exchanged for new share certificates will also be accepted for such purpose.

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 Shares is/are in your name, and you wish to accept the Offer, you must send the Form of Acceptance duly completed and signed 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) to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by post or by hand, marked "**Eternity Technology Holdings Limited — Offer**" on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce 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 whether in full or in part 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 in an envelope marked "**Eternity Technology Holdings Limited — Offer**" 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 deliver in an envelope marked “**Eternity Technology Holdings Limited — Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. 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 the 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, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipts 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 duly completed and signed and delivered in an envelope marked “**Eternity Technology Holdings Limited — Offer**” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts 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, it/they 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.
- (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 in an envelope marked “**Eternity Technology Holdings Limited — Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to Kingston Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it 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 duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered 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 the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

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

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders 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 cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (g) 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.
- (h) The address of the Registrar is at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

**2. SETTLEMENT**

- (a) Provided that valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder, less the seller's ad valorem stamp duty payable by him/her/it, will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.
- (b) Settlement of the consideration to which any Shareholders are entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), 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 accepting Independent Shareholders.

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

**3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar by 4:00 p.m. on Thursday, 3 June 2021, being the Closing Date. The Offer is unconditional.
- (b) If the Offer is extended or revised, the announcement of such extension or revision shall state the next Closing Date or that the Offer will remain open until further notice. For the latter case, at least 14 days' notice in writing will be given to the Shareholders who have not accepted the Offer before the Offer is closed, and an announcement in respect thereof shall be released. 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 accept the revised Offer under the revised terms. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

**4. NOMINEE REGISTRATION**

To ensure equality of treatment of 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. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on Thursday, 3 June 2021 (or such later time and/or date as the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended.

The announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1(e) of this appendix, and which have been received by the Registrar by 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, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

**6. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by any Independent Shareholder shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “5. Announcements” above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (c) In such case, if the Independent Shareholders withdraw their acceptances, the Offeror and Registrar 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) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholders.

**7. OVERSEAS SHAREHOLDERS**

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by the accepting Overseas Shareholders).

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

**8. GENERAL**

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer 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 post at their own risk, and the Offeror and parties acting in concert with it, the Company, Kingston Securities, Kingston Capital, Octal Capital Limited, the Independent Financial Adviser, the Registrar, the company secretary of the Company, any of their respective ultimate beneficial owners, directors, officers, agents, professional advisers and other parties involved in the Offer do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) 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 the Company that the Shares under the Offer are free from all third party rights and Encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.

- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to 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. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror or Kingston Securities, knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror and parties acting in concert with it, the Company or its ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (l) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.



## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited financial information of the Group for the three years ended 31 December 2018, 2019 and 2020, which are extracted from the annual reports of the Group for the two years ended 31 December 2019 and 2020, respectively.

**Financial Summary**

	<b>Years ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Revenue</b>	546,693	546,325	547,825
Cost of sales	<u>(480,886)</u>	<u>(485,846)</u>	<u>(498,231)</u>
<b>Gross profit</b>	65,807	60,479	49,594
Other income	3,062	3,797	12,555
Other gains/(losses), net	620	166	(394)
Selling and distribution expenses	(13,250)	(15,024)	(13,228)
Administrative expenses	(30,350)	(18,568)	(22,960)
Net impairment losses on financial assets	<u>—</u>	<u>(595)</u>	<u>(5,122)</u>
<b>Operating profit</b>	25,889	30,255	20,445
Finance income	129	374	560
Finance costs	<u>(690)</u>	<u>(1,442)</u>	<u>(678)</u>
Finance costs, net	(561)	(1,068)	(118)
<b>Profit before income tax</b>	25,328	29,187	20,327
Income tax expense	<u>(4,734)</u>	<u>(3,730)</u>	<u>(3,004)</u>
<b>Profit for the year attributable to equity holders of the Company</b>	<u>20,594</u>	<u>25,457</u>	<u>17,323</u>
<b>Comprehensive income for the year attributable to equity holders of the Company</b>	<u>21,610</u>	<u>27,096</u>	<u>14,109</u>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	<u>RMB8.13 cents</u>	<u>RMB8.49 cents</u>	<u>RMB5.77 cents</u>

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares have been listed on Main Board of the Stock Exchange since 16 August 2018. The Company is an investment holding company and the Group is principally engaged in the business of electronics manufacturing services which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the Group's customers in respect of their assembling and production of printed circuit board assemblies and fully-assembled electronic products.

During the years ended 31 December 2018, 2019 and 2020, no dividend has been paid or declared by the Company.

The Group did not record any non-controlling interests for each of the years ended 31 December 2018, 2019 and 2020.

Save as disclosed above, the Group did not have any item of any income or expense which was material during the three years ended 31 December 2018, 2019 and 2020.

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

There were no exceptional items because of size, nature or incidence in respect of the consolidated financial statements of the Company during each of the three years ended 31 December 2018, 2019 and 2020.

## 2. FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the audited consolidated financial statements of the Company for the three years ended 31 December 2018 (the "**2018 Financial Statements**"), 31 December 2019 (the "**2019 Financial Statements**") and 31 December 2020 (the "**2020 Financial Statements**"), together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out from page 44 to page 103 in the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**") which was published on 16 April 2019. The 2018 Annual Report was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.szeternity.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0416/ltn20190416523.pdf>

The 2019 Financial Statements are set out from page 51 to page 115 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) which was published on 7 April 2020. The 2019 Annual Report was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.szeternity.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0407/2020040700606.pdf>

The 2020 Financial Statements are set out from page 62 to page 125 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) which was published on 28 April 2021. The 2020 Annual Report was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.szeternity.com>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800837.pdf>

### 3. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirmed that, there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

### 4. INDEBTEDNESS

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, details of the Group’s indebtedness are as follows:

	<b>As at 31 March 2021</b> <i>RMB'000</i> <i>(unaudited)</i>
<b>Non-Current</b>	
Lease liabilities	11,055
Bank borrowings	<u>31,143</u>
	42,198
<b>Non-current</b>	
Lease liabilities	7,119
Bank borrowings	<u>4,599</u>
	<u><u>11,718</u></u>

**Bank borrowings**

As at 31 March 2021, the Group had outstanding bank borrowings of approximately RMB35,742,000 which are secured by pledged bank deposit, land-use rights, certain equipment and a corporate guarantee provided by the Company.

**Lease liabilities**

As at 31 March 2021, the Group had lease liabilities of approximately RMB18,174,000, among of which RMB2,228,000 were secured by leased machinery.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 March 2021, the Group did not have any loan capital outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

## 1. RESPONSIBILITY STATEMENT

The board of directors of the Offeror comprises Mr. Sun Fengquan, Dr. Lam Lee G., Mr. Chan Wai Dune, Mr. Lo Wing Yan William and Ms. Ku Ka Lee Clarie.

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

## 2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

	<b>Closing price per Share (HK\$)</b>
30 October 2020	1.33
30 November 2020	1.46
31 December 2020	1.3
29 January 2021	1.51
26 February 2021	2.81
31 March 2021	2.09
12 April 2021 (being the Last Trading Day)	3.7
30 April 2021 ( <i>Note</i> )	28
11 May 2021 (being the Latest Practicable Date)	25.45

*Note:* Trading of Shares was suspended from 12 April 2021 to 21 April 2021 pending the release of the Joint Announcement.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$31.1 per Share on 26 April 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.13 per Share on 30 December 2020.

**3. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER**

As at the Latest Practicable Date:

- (a) save for the 212,850,000 Shares in which the Offeror is interested, none of the Offeror nor any person acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) save for the Sale and Purchase Agreement, the Facility and the Share Charges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (c) save for the Facility and the Share Charges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with it or any other associate of the Offeror and any other person;
- (d) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company was managed on a discretionary basis by any fund managers or principal traders connected with the Offeror or any person acting in concert with it, and no such person had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (e) there is no agreement or arrangement to which the Offeror or any person acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (f) none of the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) save for the Elite Foster Irrevocable Undertaking, none of the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept or reject the Offer or any irrevocable undertaking from any Shareholders not to sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Shares held by he/she/it/them;
- (h) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which was owned, controlled or directed by, or had been entered into by the Offeror, nor any person acting in concert with it;

- (i) save for the Consideration, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendor or any party acting in concert with it in connection with the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;
- (j) save for the Facility and the Share Charges, there was no agreement, arrangement or understanding to transfer, charge or pledge any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror may acquire in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (k) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor and any parties acting in concert with it on one hand, and the Offeror or any parties acting in concert with it on the other hand;
- (l) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it or (ii)(b) the Company, its subsidiaries or associated companies;
- (m) save for the Sale and Purchase Agreement, the Facility and the Share Charges, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offer; and
- (n) there was no arrangement whereby benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

#### 4. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period:

- (a) save for the off-market acquisitions of (i) 10,330,000 Shares at the consideration of HK\$16,528,000 (being HK\$1.60 per Share); (ii) 5,400,000 Shares at the consideration of HK\$9,720,000 (being HK\$1.80 per Share); (iii) 5,870,000 Shares at the consideration of HK\$11,740,000 (being HK\$2.00 per Share), all on 12 April 2021; and (iv) the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror nor any person acting in concert with it has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares;
- (b) no person owning or controlling any shareholding in the Company with whom the Offeror and/or any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company;

- (c) none of the director(s) of the Offeror had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (d) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it had borrowed or lent.

## 5. CONSENTS AND QUALIFICATIONS OF PROFESSIONAL ADVISERS

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

<b>Name</b>	<b>Qualifications</b>
Kingston Securities Limited	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance Limited	a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the abovenamed expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, opinions or advices and references to its name in the form and context in which they respectively appear.

## 6. GENERAL

As at the Latest Practicable Date:

- (a) The principal members of the Offeror's concert parties are the Offeror, Vision International Group Limited, the ultimately beneficial owner of the Offeror and the directors of the Offeror.
- (b) The entire issued share capital of the Offeror comprises 62.36% ordinary shares (class A) ("**Class A Shares**") and 37.64% ordinary shares (class B) ("**Class B Shares**"), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan, and the remaining 35.39% Class B Shares is owned by a group comprising of 32 individuals, corporates and private equity funds. Amongst those 32 individuals, corporates and private equity funds, each of them holds less than 5%.
- (c) The entire issued share capital of Vision International Group Limited is wholly-owned by Mr. Sun Fengquan.
- (d) The board of directors of the Offeror comprises Mr. Sun Fengquan, Dr. Lam Lee G., Mr. Chan Wai Dune, Mr. Lo Wing Yan William and Ms. Ku Ka Lee Clarie.



- (e) The sole director of Vision International Group Limited is Mr. Sun Fengquan.
- (f) The registered office of the Offeror is 13/F., 11/F., 6/F. and 4/F., St. John's Building, No.33 Garden Road, Central, Hong Kong; and the correspondence address of the Offeror is 13/F., St. John's Building, No.33 Garden Road, Central, Hong Kong.
- (g) The registered office and the correspondence address of Vision International Group Limited is 13/F., St. John's Building, No.33 Garden Road, Central, Hong Kong.
- (h) The correspondence address of each of Mr. Sun Fengquan, Dr. Lam Lee G., Mr. Chan Wai Dune, Mr. Lo Wing Yan William and Ms. Ku Ka Lee Clarie is 13/F., St. John's Building, No.33 Garden Road, Central, Hong Kong.
- (i) The principal business address of each of Kingston Corporate Finance and Kingston Securities is 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (j) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (a) at the Company's principal place of business in Hong Kong at Room A, 12th Floor, Granville House, 41C Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (except public holidays); (b) on the website of the Company (<http://www.szeternity.com>); and (c) on the website of the SFC (<http://www.sfc.hk>) from the date of this Composite Document up to and including the Closing Date:

- (i) the articles of association of the Offeror;
- (ii) the letter from Kingston Securities, the text of which is set out on pages 10 to 21 of this Composite Document; and
- (iii) the letters of written consent as referred to in the paragraph headed "5. Consents and qualifications of professional advisers" in this appendix.

## 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 those 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.

## 2. SHARE CAPITAL

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

<i>Authorised:</i>		<i>HK\$</i>
8,000,000,000	Shares of HK\$0.01 each	80,000,000
<i>Issued and fully paid up:</i>		<i>HK\$</i>
300,000,000	Shares of HK\$0.01 each	3,000,000

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

No Shares have been issued by the Company since 31 December 2020 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, securities, or derivatives, which are convertible or exchangeable into Shares.

### 3. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

	<b>Closing price per Share (HK\$)</b>
30 October 2020	1.33
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11 May 2021 (being the Latest Practicable Date)	25.45

*Note:* Trading of Shares was suspended from 12 April 2021 to 21 April 2021 pending the release of the Joint Announcement.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$31.1 per Share on 26 April 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.13 per Share on 30 December 2020.

### 4. DISCLOSURE OF INTERESTS

#### (a) Directors and chief executives' interests in securities

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the Shares, underlying shares, debentures of the Company or any of 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 any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Takeovers Code, to be notified to the Company and the Stock Exchange.

**(b) Substantial shareholders**

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code were as follows:

*Long position in the Shares*

Name of Shareholder	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
The Offeror ( <i>Note 1</i> )	Beneficial owner	212,850,000	70.95%
Vision International Group Limited ( <i>Note 1</i> )	Interest of controlled corporation	212,850,000	70.95%
Mr. Sun Fengquan ( <i>Note 1</i> )	Interest of controlled corporation	212,850,000	70.95%
Elite Foster ( <i>Note 2</i> )	Beneficial owner	33,750,000	11.25%
Mr. Lu Wan Ching ( <i>Note 2</i> )	Interest of controlled corporation	33,750,000	11.25%
Ms. Wong Yuk Ting ( <i>Note 3</i> )	Interest of spouse	33,750,000	11.25%

*Notes:*

1. The issued share capital of the Offeror comprises 62.36% ordinary shares (class A) (“**Class A Shares**”) and 37.64% ordinary shares (class B) (“**Class B Shares**”), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan, and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds. Accordingly, each of Vision International Group Limited and Mr. Sun Fengquan is deemed to be interested in all the Shares held by the Offeror by virtue of the SFO.
2. Elite Foster is wholly-owned by Mr. Lu Wan Ching. Accordingly, Mr. Lu Wan Ching is deemed to be interested in all the Shares held by Elite Foster by virtue of the SFO.
3. Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Accordingly, Ms. Wong Yuk Ting is deemed to be interested in all the Shares in which Mr. Lu Wan Ching is interested by virtue of the SFO.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were notified to the Company and Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

**(c) Interests in the Offeror**

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

**(d) Additional disclosure of interests in the Company and arrangements in connection with the Offer**

As at the Latest Practicable Date, save as disclosed in paragraphs 3(a) to (b) above:

- (i) save for the Sale and Purchase Agreement entered into between the Offeror and the Vendor (which as owned as to (i) 62.91% by Mr. Ma, (ii) 4.89% by Mr. Ma's spouse, Ms. Cheng, (iii) 20% by Ms. Chen and (iv) 2.2% by Mr. Cheng), none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;
- (ii) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;
- (iii) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (iv) the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (v) none of the subsidiary of the Company, pension fund of the Group or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

- (vi) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (vii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with Company and none of them had dealt for value in any relevant securities in the Company during the Relevant Period;
- (viii) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (ix) there was no understanding, arrangement, agreement or special deal between any Shareholder on one hand and the Company, its subsidiaries or associate companies on the other hand.

## 5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either any members of the Group.

## 6. MATERIAL CONTRACTS

The following material 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) entered into by any member of the Group within the two years prior to the commencement of the Offer Period and ending on the Latest Practicable Date:

- (a) the auction confirmation letter\* (成交確認書) dated 22 July 2019 entered into between Huizhou City Eternity Technology Company Limited (“**Huizhou Eternity**”), an indirect wholly-owned subsidiary of the Company, and Huizhou City Huicheng District Natural Resources Bureau\* (惠州市惠城區自然資源局), pursuant to which Huizhou Eternity successfully won the bid for the auction for the land use rights of the land located at Block JD-130-05-02, South District, Shuikou Private Industrial Park, Huicheng District, Huizhou City, the PRC\* (中國惠州市惠城區水口民營工業園南區JD-130-05-02地塊) at a consideration of RMB26,830,000;

- (b) the auction confirmation letter\* (成交確認書) dated 7 July 2020 entered into among Eternity Technology (Huizhou) Company Limited\* (恒達科技(惠州)有限公司) (“**Eternity (Huizhou)**”), an indirect wholly-owned subsidiary of the Company, Huizhou City Land Resources Bureau\* (惠州市國土資源局) and Huizhou City Public Resources Trading Centre Daya Bay Sub-Centre\* (惠州市公共資源交易中心大亞灣分中心), pursuant to which Eternity (Huizhou) successfully won the bid for the auction for the land use rights of the land located at Block DYW202010, Xinxing Industrial Park, Daya Bay Western District, Huizhou City, the PRC\* (中國惠州市大亞灣西區新興產業園DYW202010地塊) at a consideration of RMB25.5 million;
- (c) the construction contract dated 16 July 2020 entered into between Huizhou Eternity and Huizhou City Chunlin Construction Engineering Company Limited\* (惠州市春林建築工程有限公司) (“**Chunlin Construction**”), in relation to construction work be carried out by Chunlin Construction in Shuikou, Huizhou City, the PRC for the purpose of constructing a production base for internal use of the Group at the contract price of approximately RMB79.9 million (subject to adjustments in accordance to the said construction contract); and
- (d) the Elite Foster Irrevocable Undertaking.

## 7. CONSENT AND QUALIFICATION OF PROFESSIONAL ADVISER

The following is the name and the qualification of the professional adviser whose letters, opinions or advices are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
INCUCorporate Finance Limited	a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The abovenamed expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, opinions or advices and references to its name in the form and context in which it appears.

## 8. DIRECTORS' SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commenced of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

**9. MISCELLANEOUS**

As at the Latest Practicable Date,

- (a) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (b) no benefit (other than statutory compensation) will be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (c) save for the Sale and Purchase Agreement entered into between the Offeror and the Vendor (which as owned as to (i) 62.91% by Mr. Ma, (ii) 4.89% by Mr. Ma's spouse, Ms. Cheng, (iii) 20% by Ms. Chen and (iv) 2.2% by Mr. Cheng), there was no material contracts entered into by the Offeror in which any Director has a material personal interest;
- (d) the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (e) the principal place of business in Hong Kong of the Company is Room A, 12th Floor, Granville House, 41C Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong;
- (f) the company secretary of the Company is Ms. Jian Xuegen;
- (g) Mr. Ma Fujun and Ms. Jian Xuegen are the authorised representatives under Rule 3.05 of the Listing Rules;
- (h) the Cayman Islands principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (i) the Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong;
- (j) the registered office of INCU, the Independent Financial Adviser, is at Unit D, 6/F, Bank of China Building, 2A Des Voeux Road Central, Central, Hong Kong; and
- (k) in the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.



**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (a) at the Company's principal place of business in Hong Kong at Room A, 12th Floor, Granville House, 41C Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (except public holidays); (b) on the website of the Company (<http://www.szeternity.com>); and (c) on the website of the SFC (<http://www.sfc.hk>) from the date of this Composite Document up to and including the Closing Date:

- (i) the amended and restated memorandum of association and articles of association of the Company;
- (ii) the annual reports of the Company for the each of the two years ended 31 December 2019 and 2020;
- (iii) the letter from the Board, the text of which is set out on pages 22 to 29 of this Composite Document;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 30 to 31 of this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 32 to 54 of this Composite Document;
- (vi) the material contracts referred to in the paragraph headed "6. Material contracts" in this appendix;
- (vii) the letter of written consent as referred to in the paragraph headed "7. Consent and qualification of professional adviser" in this appendix;
- (viii) the letter of written consent of Octal Capital Limited to, among others, references to its name and logo in this Composite Document; and
- (ix) this Composite Document and the Form of Acceptance.