



Mengkke Holdings Limited
盟科控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1629)

Non-executive Director

Mr. Zhang Weixiang (Chairman)

Executive Director

Mr. Fu Mingping

Independent Non-executive Directors

Mr. Cheng Tai Kwan Sunny

Mr. Tan Yik Chung Wilson

Mr. Yick Ting Fai Jeffrey

Registered Office

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001 Cayman
Islands

*Principal Place of Business in
Hong Kong*

Room A, 17th Floor Capitol Centre
Tower II 28 Jardine's Crescent
Causeway Bay
Hong Kong

19 November 2018

To the Independent Shareholders

Dear Sir or Madam,

**COMPOSITE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFER BY
SSIF SECURITIES LIMITED
FOR AND ON BEHALF OF CHAMPION ALLIANCE INTERNATIONAL
CORPORATION TO ACQUIRE
ALL THE ISSUED SHARES IN MENGKE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND THE PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement.

On 29 October 2018, the Offeror and the Company jointly announced that, among other things, on 19 October 2018, the Offeror and Million Success as purchasers entered into the SP Agreement with Happily Soar and Liberal Rite as vendors, and Mr. Zhang Weixiang, Mr. Fu Mingping, Mr. Chen Yongqiao and Mr. Shiu Kwok Kuen as the guarantors of the Vendors, pursuant to which the Offeror agreed to acquire 281,252,000 Shares from Happily Soar and 68,748,000 Shares from Liberal Rite, and Million Success agreed to acquire 25,000,000 Shares from Liberal Rite, representing a total of 375,000,000 Shares which in turn represent in aggregate 75% of the total issued share capital of the Company as at the date of the Joint Announcement at a consideration of HK\$1.42 per Share, which was agreed among the Offeror, Million Success and the Vendors after arm's length negotiations taking into account of the recent trading prices of the Shares (up to and including the Last Trading Day).

Completion took place on 22 October 2018. The consideration for the Acquired Shares had been fully settled by the Offeror and Million Success by way of cash as set out below as at the date of the Joint Announcement:

- (i) as to HK\$399,377,840 to Happily Soar were paid by the Offeror for 281,252,000 Shares;
- (ii) as to HK\$97,622,160 to Liberal Rite were paid by the Offeror for 68,748,000 Shares; and
- (iii) as to HK\$35,500,000 to Liberal Rite were paid by Million Success for 25,000,000 Shares.

Immediately prior to the Completion, Happily Soar and Liberal Rite held 281,252,000 (representing approximately 56.25% of the issued Shares) and 93,748,000 Shares (representing approximately 18.75% of the issued Shares) respectively, and none of the Offeror and parties acting in concert with it owned, controlled or had direction over any Shares. Immediately following the Completion and as at the Latest Practicable Date, neither the Vendors nor any of their respective ultimate beneficial owners hold any Shares. The 375,000,000 Acquired Shares are held by the Offeror and Million Success in the following manner:

- (i) 350,000,000 Acquired Shares were acquired by the Offeror, representing approximately 93.3% of the Acquired Shares and 70% of the total issued Shares as at the Latest Practicable Date; and
- (ii) 25,000,000 Acquired Shares were acquired by Million Success, representing approximately 6.7% of the Acquired Shares and 5% of the total issued Shares as at the Latest Practicable Date.

Immediately upon the Completion, the Offeror and the parties acting in concert with it (including Million Success and its beneficial owner) together held voting rights in the Company of 75% and the Offeror had therefore incurred an obligation to make an unconditional mandatory offer under Rule 26.1 of Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Tan Yik Chung Wilson and Mr. Yick Ting Fai Jeffrey, has been established by the Company to advise the Independent Shareholders in respect of the Share Offer, as to whether the terms of the Share Offer are fair and reasonable and as to the acceptance of the Share Offer. The above-named independent non-executive Directors have no direct or indirect interest in the Share Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

Pursuant to Rule 2.1 of the Takeovers Code, on 7 November 2018, Grande Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Share Offer and, in particular, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer.

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

THE SHARE OFFER

As at the Latest Practicable Date, there were 500,000,000 Shares in issue.

There were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Share Offer

As mentioned in the “LETTER FROM SSIF SECURITIES” on pages 6 to 20 of this Composite Document, SSIF Securities is making the Share Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.42 in cash

The Offer Price of HK\$1.42 per Offer Share under the Share Offer is the same as the purchase price per Acquired Share paid by the Offeror and Million Success under the SP Agreement. The Share Offer will be unconditional in all respects.

Further details of the Share Offer, including terms and procedures for acceptance of the Share Offer, are contained in the “LETTER FROM SSIF SECURITIES” as set out on pages 6 to 20 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company acts as an investment holding company and its subsidiaries are principally engaged in the production of metallised packaging paper for cigarette package manufacturers.

Set out below is a summary of certain audited financial information of the continuing operations of the Group for the financial years ended 31 December 2016 and 2017 extracted from the Company's annual report published on 20 April 2018 and the unaudited financial information of the continuing operations of the Group for the six months ended 30 June 2018 extracted from the Company's interim report published on 27 September 2018:

	Six months ended/As at 30 June 2018 RMB'000 (unaudited)	Year ended/ As at 31 December 2017 RMB'000 (audited)	Year ended/ As at 31 December 2016 RMB'000 (audited)
Revenue	102,189	238,310	310,708
Gross profit	16,729	44,947	64,594
Profit/(loss) before income tax	1,246	6,409	(6,608)
Profit/(loss) for the period/ year	1,062	4,724	(9,435)
Consolidated net asset value	117,986	116,674	111,450

Further details of the information of the Group are set out in Appendices II and III to this Composite Document.

INFORMATION ON THE OFFEROR AND MILLION SUCCESS

Your attention is drawn to the section headed "INFORMATION ON THE OFFEROR AND MILLION SUCCESS" in the "LETTER FROM SSIF SECURITIES" as set out on pages 6 to 20 of this Composite Document.

INTENTIONS OF THE OFFEROR

Your attention is drawn to the sections headed "INFORMATION ON THE OFFEROR AND MILLION SUCCESS" and "INTENTIONS OF THE OFFEROR" in the "LETTER FROM SSIF SECURITIES" as set out on pages 6 to 20 of this Composite Document. The Board is pleased to learn that the Offeror intends to maintain the existing principal activities of the Group and that, save for the proposed change to the composition of the Board as set out in the section headed "PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY" in "LETTER FROM SSIF SECURITIES", the Offeror has no plan to terminate the employment of any employees or other personnel of the Group or redeploy the fixed assets of the Group other than those in its ordinary course of business.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the “LETTER FROM SSIF SECURITIES” on pages 6 to 20 of this Composite Document that the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer.

If the public float of the Company falls below 25% following the close of the Share Offer, the Offeror and the Directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Share Offer, such as the engagement of a placing agent to place such number of Shares to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any of such steps if the circumstances warrant.

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

Therefore, upon the completion of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be halted until sufficient public float exists for the Shares.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages IBC-1 to IBC-2 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Share Offer; and (ii) the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages IFA-1 to IFA-23 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Share Offer, and the principal factors considered by it in arriving at its advice and recommendation.

ADDITIONAL INFORMATION


You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Share Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

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

Yours faithfully

By order of the Board

Mengke Holdings Limited



Zhang Weixiang
Chairman and non-executive Director