

The following is the full text of the letter of advice from the Independent Financial Adviser, Ample Capital Limited, to the Takeovers Code Independent Board Committee, the Independent Shareholders and Convertible Noteholders in respect of the Offers and is prepared for the purpose of incorporation into this Composite Document.

14 April 2020

To the Takeovers Code Independent Board Committee, the Independent Shareholders and Convertible Noteholders

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFER BY I-ACCESS FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES AND OUTSTANDING CONVERTIBLE NOTES OF SUNWAY INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Takeovers Code Independent Board Committee, the Independent Shareholders and Convertible Noteholders in relation to the Offers by I-Access on behalf of the Offeror. Details of the Offers are set out in this Composite Document dated 14 April 2020 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless otherwise defined herein.

Reference is made to the Joint Announcement and the circular dated 29 February 2020 in relation to the subscription of new shares under specific mandate in connection with the Subscription Agreement. Immediately before the Subscription, the Offeror and parties acting in concert with it held an aggregate of 224,014,855 Shares, representing approximately 29.92% of the entire issued share capital of the Company. Upon the Subscription Completion, the Offeror and parties acting in concert with it held an aggregate of 373,078,531 Shares, representing approximately 41.54% of the issued Shares of the Company. Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, upon the Subscription Completion, the Offeror is required to make a mandatory conditional general offer in cash for all the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company (other than those already owned or to be acquired by the Offeror and parties acting in concert with it).

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The Takeovers Code Independent Board Committee, comprising all four non-executive Directors, namely Mr. Lum Pak Sum, Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai, has been formed to advise the Independent Shareholders and Convertible Noteholders in respect of the Offers as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. With the approval of the Takeovers Code Independent Board Committee pursuant to Rule 2.1 of Takeovers Code, we, Ample Capital Limited, have been appointed to advise the Takeovers Code Independent Board Committee, the Independent Shareholders and Convertible Noteholders in this regard.

During the past two years from the date of Joint Announcement, Ample Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Subscription, details of which were set out in the circular of the Company dated 29 February 2020. The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules, for which Ample Capital Limited received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for Ample Capital Limited in acting as the independent financial adviser in this case.

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company and the Offeror or any of their respective subsidiaries or their respective associates or any party acting, or presumed to be acting, in concert with any of them and accordingly, and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or the Offeror or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group and Offeror. In addition, during the past two years from the date of Joint Announcement, we have no significant connection, financial or otherwise with the Company or the Offeror or the controlling shareholders of either of them. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Takeovers Code Independent Board Committee, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of any relationships or interest between us and the Company and the Offeror or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the independent financial adviser to the Takeovers Code Independent Board Committee in respect of the Offers.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information in relation to the Offers and operation of the Group supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Composite Document. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders and Convertible Noteholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Directors and the management of the Company in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offers.

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

PRINCIPAL TERMS OF THE MANDATORY GENERAL OFFER

I-Access is making the Offers on behalf of the Offeror, subject to the terms set out in this Composite Document and in the Form of Acceptance, on the following basis:

Principal terms of the Share Offer

For every Share HK\$0.100 in cash

The Offer Price of HK\$0.100 per Offer Share under the Share Offer is equal to the Subscription Price per Subscription Share paid by the Offeror under the Subscription Agreement.

As set out in the circular of the Company dated 29 February 2020, the Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to (a) the market price of the Shares prior to and on the Last Trading Day; and (b) the capital needs and financial position of the Group. With reference to the letter from the independent financial adviser in relation to the Subscription, we consider the Subscription Price fair and reasonable.

The Offer Shares to be acquired shall be fully paid and free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto, including without limitation, the right to receive all dividends and distributions declared, paid or made, if any, on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document.

As at the Latest Practicable Date, the Offeror was interested in a total of 368,468,531 Shares, representing approximately 41.03% of the total issued share capital of the Company. Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to the Closing Date, there will be 529,531,469 Shares subject to the Share Offer, representing approximately 58.97% of the existing issued Shares of the Company.

Principal terms of the Convertible Notes Offer

For every HK\$10,000,000 nominal value of the Convertible Notes HK\$546,448 in cash

The Convertible Notes to be acquired shall be fully-paid and free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto, including without limitation, the right to receive all dividends and distributions declared, paid or made, if any, on or after the date on which the Convertible Notes Offer is made, being the date of despatch of the Composite Document.

As at the Latest Practicable Date, there are outstanding Convertible Notes in the principal amount of HK\$30,000,000 which carry rights to convert into approximately 16,393,442 new conversion Shares (rounded down) in full based on the existing conversion price of HK\$1.83 per conversion share (assuming the Share Consolidation in relation to the Convertible Notes are valid and completed), and none of the Offeror and parties acting in concert with it has any interest in the Convertible Notes.

The proposed offer price of the Convertible Notes is HK\$546,448 for every HK\$10,000,000 nominal value of the Convertible Notes, determined in accordance with Rule 13 of and Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Notes, being the number of new Shares which the Convertible Notes could be convertible into (i.e. approximately 16,393,442 new conversion Shares (assuming the Share Consolidation in relation to the Convertible Notes are valid and completed)) multiplied by the Share Offer Price of HK\$0.10 per Offer Share, valuing the total Convertible Notes Offer at approximately HK\$1,639,344.

Conditions of the Offers

The Share Offer is conditional only on valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the first Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide), and the number of Shares in respect of which, together with Shares already owned by the Offeror and parties acting in concert with it and acquired or to be acquired before or during the Offers, resulting in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company in accordance with the Takeovers Code. The Convertible Notes Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

Irrevocable undertaking in relation to the Share Offer

As at the Latest Practicable Date, Mr. Li holds 4,610,000 Shares, representing approximately 0.51% of the total issued share capital of the Company. Mr. Li has entered into the Irrevocable Undertaking, pursuant to which Mr. Li has undertaken to the Offeror that he will not (a) accept the Share Offer with respect to, and (b) until the close of the Share Offer or the Share Offer lapses, whether directly or indirectly, sell, transfer, encumber or otherwise dispose of, the 4,610,000 Shares held by him. The Irrevocable Undertaking shall cease to be binding upon the Closing Date.

For further details, please refer to the paragraph headed “Letter from Donvex Capital – The Offers” in this Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Offers, we have taken into consideration the following principal factors:

1. Information on the Group

The Company is incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Stock Exchange (stock code: 58). The Group principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products (“**PHC pile and other business**”). Financial information of the Group (as extracted from the Group’s annual results announcement for the year ended 31 December 2019 (the “**2019 Annual Results Announcement**”), the Group’s annual report for the year ended 31 December 2018 (the “**2018 Annual Report**”), the Group’s annual report for the year ended 31 December 2017 (the “**2017 Annual Report**”) and the Group’s annual report for the year ended 31 December 2016 (the “**2016 Annual Report**”) is further discussed below.

a) Financial results of the Group

	For the year ended 31 December 2019 (unaudited) HK\$'000	For the year ended 31 December 2018 (audited) HK\$'000	For the year ended 31 December 2017 (audited) HK\$'000	For the year ended 31 December 2016 (audited) HK\$'000
Revenue	356,952	414,717	315,515	245,627
(Loss)/profit before income tax	(307,626)	(37,466)	(3,827)	(179,071)
(Loss)/profit for the period/year	(320,627)	(43,626)	(4,366)	(180,612)

As set out in the 2019 Annual Results Announcement, 2018 Annual Report, 2017 Annual Report and 2016 Annual Report, 99.8%, 97.3%, 96.7% and 98.6% of the Group's revenue for the four years ended 31 December 2019 was derived from the PHC pile and other business, respectively.

The Group recorded an increase in revenue from HK\$245.6 million for the year ended 31 December 2016 to HK\$315.5 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in revenue of the Group's PHC pile and other business resulting from the rise in sales of pre-stressed high strength concrete pile due to the increase in market demand as a result of the governmental infrastructure construction. The Group recorded a significant decrease in net loss from HK\$180.6 million for the year ended 31 December 2016 to HK\$4.4 million for the year ended 31 December 2017. Such decrease was mainly attributable to (i) the increase in revenue as mentioned above; (ii) the absence of the provision for impairment loss of goodwill in relation to the recoverable amount of PHC piles and other business sector with reference to a valuation performed by an independent professional valuer of HK\$64.5 million for the year ended 31 December 2016 during the financial year ended 31 December 2017; and (iii) the absence of administration expense in the amount of HK\$39.0 million for the year ended 31 December 2016 in relation to the share options granted by the Company during the financial year ended 31 December 2017.

The Group recorded an increase in revenue from HK\$315.5 million for the year ended 31 December 2017 to HK\$414.7 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in revenue of the Group's PHC pile and other business resulting from the rise in sales of ready-mixed concrete due to growth of the property market in the PRC. However, the Group recorded a significant increase in net loss from HK\$4.4 million for the year ended 31 December 2017 to HK\$43.6 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) the increase in provision for impairment loss of intangible assets of HK\$11.8 million for the year ended 31 December 2018 in relation to the non-renewal of our financial services licences; and (ii) the decrease in gain on disposal of a factory in Zhuhai City of HK\$21.5 million for the year ended 31 December 2017.

The Group recorded a decrease in revenue from HK\$414.7 million for the year ended 31 December 2018 to HK\$357.0 million for the year ended 31 December 2019. Such decrease was mainly attributable to the decrease in revenue of the Group's PHC piles and other business resulting from the drop in sales of pre-stressed high strength concrete pile and bricks due to the down turn on infrastructure market after the completion of relevant governmental projects. The Group further recorded a significant net loss of HK\$320.6 million for the year ended 31 December 2019 as compared to the net loss of HK\$43.6 million for the year ended 31 December 2018. The reason was mainly attributable to (i) the increase in provision for impairment loss of trade receivables, net of reversal of HK\$112.8 million for the year ended 31 December 2019 mainly due to the default of several loan receivables as disclosed in the Company's announcement dated 20 January 2020; and (ii) the increase in net provision for impairment loss of deposits paid for acquisition of subsidiaries and etc. of HK\$106.6 million for the year ended 31 December 2019 mainly comprised the refundable earnest money paid for the gas project as disclosed in the announcements of the Company dated 12 September 2017, 10 October 2017, 25 April 2018 and 2 July 2019.

As advised by the Directors, the significant increase in provision for impairment loss of trade receivables, net of reversal, and impairment loss of deposits paid for acquisition of subsidiaries and etc. for the year ended 31 December 2019 was mainly due to the default of the relevant loan agreements and guarantee contract by the counterparties. Save for the impairments as discussed above, we considered that the provisions for impairment loss for the four years ended 31 December 2019 were non-recurring in nature and did not have any material adverse impact to the Company's operations.

b) *Financial positions of the Group*

	As at 31 December 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000	As at 31 December 2017 (audited) HK\$'000	As at 31 December 2016 (audited) HK\$'000
Net current assets	67,661	394,114	434,298	255,709
Net assets attributable to owners of the Company	164,883	453,769	513,925	342,357
Cash and cash equivalents	29,049	23,156	77,146	46,107

The Group recorded a significant decrease in net current assets and net assets attributable to owners of the Company as at 31 December 2019 as compared to that of 31 December 2018. Such decrease was mainly due to (i) the decrease in trade and bill receivables of HK\$91.6 million resulting from the increase in provision for impairment loss of trade receivables, net of reversal as discussed above; (ii) the decrease in prepayments, deposits and other receivables of HK\$220.5 million resulting from the provision of impairment loss as discussed above; and (iii) the increase in interest-bearing borrowing of HK\$20.8 million.

In particular, the cash and cash equivalents of the Group of HK\$29.0 million as at 31 December 2019 and 23.2 million as at 31 December 2018, respectively, was significantly lower than that of HK\$77.1 million as at 31 December 2017.

Pursuant to the Company's announcement dated 20 January 2020 in relation to provision of financial assistance, despite the issue of legal demand letters in August 2019, the six borrowers who are independent third parties have failed to settle any outstanding loans and interests. As further set out in the paragraph headed "Litigation" in the Appendix IV to this Composite Document, (i) instructions have been given to British Virgin Island ("BVI") counsel to issue statutory demands and to handle winding up applications for those borrowers and guarantor which are incorporated in BVI; and (ii) PRC counsel has been selected to take appropriate legal proceedings in the PRC courts against those borrowers and guarantor that are PRC citizens or PRC incorporated companies.

c) *Business prospects of the Group*

The Group principally engaged in the PHC pile and other business. The Group's PHC piles and other business are operated by a subsidiary of the Company and its production factory is situated in Yangjiang City, Guangdong Province, the PRC. The Group sells its products to customers located in Yangjiang City and its surrounding cities in Guangdong Province.

The Group recorded a significant loss of HK\$320.6 million, HK\$43.6 million and HK\$180.6 million for the years ended 31 December 2019, 2018 and 2016, respectively. The Group also recorded a significant decrease in net current assets and net assets attributable to owners of the Company as at 31 December 2019 as compared to that of 31 December 2018. Save for the reasons as discussed in the sub-section headed "Financial results of the Group", the Directors consider that such losses and decrease were also due to the decrease in demand on construction materials resulting from the several weather disruption to construction sites in Yangjiang City and the decrease in gross profit margin resulting from increase in cost of raw materials.

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. The construction of the new economic belt in PRC will continue to heat up, and there will still be room for development in the domestic infrastructure market in the next few years, providing more market opportunities for related companies. According to the press release published by Guangdong Provincial Development and Reform Commission of the PRC dated 5 March 2020¹, the province plans to set up 1230 key projects with a total investment of RMB5.9 trillion, highlighting a new round of investment stemming from the construction of new infrastructure. In addition, according to a guideline jointly issued by the General Office of the Communist Party of China Central Committee of the PRC and the General Office of the State Council of the PRC dated 25 December 2019², restrictions on residence registration will be lifted or relaxed for cities with a residential population of less than five million in urban areas and the settlement policies for mega cities with a residential population of above five million in urban areas will also be improved. The Directors consider such policies will have positive effects to the construction material industry in PRC and thus can benefit the Group.

However, the industry is also facing new challenges and adverse conditions. In recent years, the building materials industry has been affected by unfavourable factors such as rising raw material prices which may not be shifted to the customers and intensified competition among peers. The future competition of the building materials industry is largely reflected by the competition among peers.

The Group will continue to focus its business in the building materials industry. The Group has been committed to expand the business scale by exploring new business, bringing new growth and momentum to the Group.

1 Source: http://drc.gd.gov.cn/ywtz/content/post_2915278.html

2 Source: http://english.www.gov.cn/policies/latestreleases/201912/25/content_WS5e03530dc6d0bfc4c19712.html

2. Information on the Offeror

The Offeror is a company incorporated in Hong Kong with limited liability principally engaged in investment holding, which is a substantial shareholder of the Company as at the Latest Practicable Date. Mr. Chim is the sole director and sole shareholder of the Offeror.

Mr. Chim, aged 24, was appointed as an executive Director and the chairman of the Board on 28 May 2019. Mr. Chim has working experience in cross-border investment, private equities and financial products. Mr. Chim has previously worked as an analyst at Widus Partners, a cross-border strategic advisory and investment firm with presence in Seoul, Hong Kong, Singapore and San Francisco, during 2018 and 2019. His duties included conducting research on different investment tools in various region and assisting to provide investment strategies to clients. As a fluent Arabic speaker, Mr. Chim served as a transformation associate consultant at Americana Group, a UAE-based F&B company operating more than 1,800 restaurants across 13 markets of the Middle East, North Africa (MENA) and Kazakhstan, during 2017 and 2018. Prior to graduating from the University of Pennsylvania in Modern Middle East Studies, Mr. Chim received training at Monitor Deloitte in Dubai, the National Bank of Abu Dhabi in Abu Dhabi, International New York Times and Meitu in Hong Kong during 2014 and 2015.

Whilst the Offeror has limited experience in running a company which is principally engaged in manufacturing and trading of concrete products, Mr. Chim obtained a bachelor degree in Modern Middle East Studies at the University of Pennsylvania and is proficient in Arabic. Mr. Chim was trained in several entities including Monitor Deloitte in Dubai, which provides consultancy and management services to different sorts of business.

As advised by the Offeror, the Offers made by the Offeror is financed, as a gift, by Mr. Chim's grandfather, Mr. Chim Pui Chung.

As at the Latest Practicable Date, Mr. Chim is interested in the 368,468,531 Shares of the Company owned by the Offeror, which represented approximately 41.03% of the issued share capital in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

3. Intention of the Offeror in relation to the Group

As set out in the "Letter from Donvex Capital", it is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offers and will maintain the listing status of the Company on the Stock Exchange. The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products.

Having considered the "One Belt One Road" policy and the increasing demand of infrastructure and property projects in the Middle East and North Africa, despite the adverse impact to the financial position of the Group resulted from the respective impairment loss, Mr. Chim considered that there would be demand and prospects for concrete products and the Company would be of investment value. As such, he made the investments in the Company. Mr. Chim was subsequently invited to the Board in May 2019 and he intends to utilise his expertise of being aware of the cultural values of both the Chinese and Arabs to assist the Company to develop markets.

The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate. As at the Latest Practicable Date, the Offeror has no intention or concrete plans for any acquisition of assets and/or business, nor any intention to dispose of any assets and/or existing business by the Group.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) re-deploy the fixed assets of the Group other than those in its ordinary and usual course of business.

Board Composition of the Company

As at the Latest Practicable Date, the Board comprises three executive Directors, namely Mr. Chim, Mr. Li Chongyang and Mr. Law Chun Choi, one non-executive Director, namely Mr. Lum Pak Sum, and three independent non-executive Directors, namely Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai.

Mr. Li Chongyang, who has been working with the Company since 2015, is involved in the day-to-day operations of the principal business of the Group and is familiar with the principal business of the Group. Save for Mr. Li Chongyang, most of the Directors were newly appointed in May 2019 to June 2019 and did not have any past experience in the principal business of the Group. Nevertheless, Mr. Law Chun Choi, Mr. Lum Pak Sum and Mr. Choi Pun Lap are qualified accountants. In addition, most of the Directors have substantial experience in directorship in listed companies, such as internal control and corporate governance matters.

As set out in the "Letter from Donvex Capital" of the Composite Document, the Offeror intends to have the Group to continue with its existing principal businesses and has no intention to make any change to the composition of the Board. Having considered the business operation of the Group remains under the management of existing Directors and management, based on the current intentions of the Offeror, we are of the view that the investment by the Offeror will strengthen the financial position of the Company and shall not have material effects on the business operation of the Group.

Listing status of the Company

As set out in the "Letter from Donvex Capital", the Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

Pursuant to the Listing Rules, if, at the closing of the Offers, less than 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,

the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

The Offeror has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float (i.e. not less than 25% of the issued Shares) exists in the Shares after the close of the Offers.

4. Analysis of the Share Offer Price

a) *Comparison of the Share Offer Price and the market price*

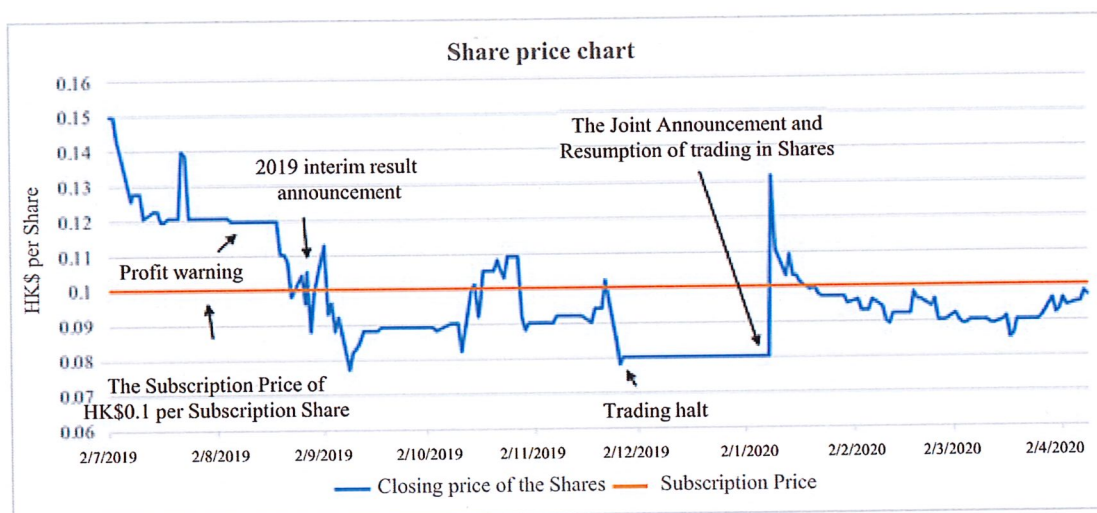
The Share Offer Price of HK\$0.100 per Offer Share represents:

- (i) a premium of approximately 25.00% to the closing price of HK\$0.0800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.07% to the average of the closing prices of the Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0806 per Share;
- (iii) a premium of approximately 3.09% to the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on the Latest Practicable Date
- (iv) a discount of approximately 80.20% over the audited consolidated net asset value attributable to the Shareholders as at 31 December 2018 of approximately HK\$0.505 per Share (based on the audited consolidated net asset value attributable to Shareholders as at 31 December 2018 (the date to which the latest audited financial results of the Group were made up) divided by 898,000,000 Shares in issue as at the date of the Latest Practicable Date); and
- (v) a discount of approximately 59.51% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2019 of approximately HK\$0.247 per Share (based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2019 (the date to which the latest unaudited financial results of the Group were made up) divided by 898,000,000 Shares in issue as at the date of the Latest Practicable Date); and
- (vi) a discount of approximately 45.65% to the unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.184 per Share (based on the unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2019 (the date to which the latest unaudited financial results of the Group were made up) divided by 898,000,000 Shares in issue as at the date of the Latest Practicable Date).

The Share Offer Price is compared to the market range of comparable offers set out in the subsection headed “Comparable offers” of this letter below.

b) Share price performance

In order to assess the fairness and reasonableness of setting the Share Offer Price at HK\$0.100 per Share, we have reviewed the Share price performance for the period from 1 July 2019 up to and including the Latest Practicable Date (the “Review Period”). We considered such Review Period is representative in analysing the recent market condition and performance of the Shares. The chart below illustrates the daily closing price per Share during the Review Period.



Source: the website of Stock Exchange

The closing price of Shares showed a general downward trend from HK\$0.150 per Share as at 2 July 2019 to HK\$0.120 per Share as at 14 August 2019. On 14 August 2019 and 30 August 2019, the Company issued a profit warning announcement and interim result announcement for the six months ended 30 June 2019 with a further increase in net loss of HK\$201.8 million. After such announcements, the closing price of Shares showed a general downward trend to HK\$0.080 per Share as at 29 November 2019, representing a decrease of 33.3% as compared to that of 14 August 2019.

The Company announced a trading halt in relation to the Subscription and Offers as at 2 December 2019. On 8 January 2020, the Company published the announcement in relation to the Subscription and Offers and the trading of the Shares resumed on 9 January 2020. On that day, the closing price of Shares was HK\$0.132 per Share, representing an increase of 65.0% as compared to that of HK\$0.080 per Share as at 29 November 2019 which is the trading day immediately prior to the trading halt.

The Share closed at a price of HK\$0.097 per Share as at the Latest Practicable Date. The Share Offer Price represents (i) a premium of approximately 3.1% to the closing price of HK\$0.097 per Share as at the Latest Practicable Date; and (ii) the same as the average closing price of the Shares of approximately HK\$0.100 per Share during the Review Period. The closing prices of the Shares fluctuated within the range from HK\$0.150 to HK\$0.077 during the Review Period.

The closing price of Shares of HK\$0.08 per Share as at the Last Trading Day was close to the lowest closing price of Shares of the Company during the Review Period of HK\$0.077 per Share as at 9 September 2019. We further noted that during the period from date of profit warning announcement of 14 August 2019 and up to the Last Trading Day of 29 November 2019, (i) the closing prices of Shares represented the deteriorating financial results of the Group as disclosed in the profit warning announcement and interim result announcement for the six months ended 30 June 2019; and (ii) 56 out of 76 days, or 73.7%, of the closing price of Shares were below the Share Offer Price of HK\$0.1 per Share.

Based on the above, we consider that the Share Offer Price and the Offers are fair and reasonable in comparison of the historical closing prices of Shares.

c) Comparable offers

We have searched on a best effort basis and identified 16 listed companies on the Stock Exchange which have recently undergone mandatory general offer exercise by an offeror (the “Comparable Offers”), with announcements published since 1 September 2019 and up to the Latest Practicable Date, being approximately a 7-month review period. The approximate 7-month review period was adopted to demonstrate the recent market trends with sufficient and representative number of Comparable Offers and thus we consider the timeframe is reasonable and representative.

The Comparable Offers represent an exhaustive list of comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief through our research on the Stock Exchange. The Comparable Offers reflect the pricing trend of the most recent general offer transactions which are of the similar nature as the Share Offer. Though the Comparable Offers have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that the Comparable Offers are meaningful for illustration purpose in comparing the offer prices in the market of other similar transactions to the Share Offer to enable the Independent Shareholders to make a balanced and informed decision of whether the Share Offer Price is fair and reasonable as (i) the offer prices of Comparable Offers illustrate the amount (including the relevant premium or discount) which the offerors are willing to pay to the independent shareholders, which the Independent Shareholders can make reference to; and (ii) the purpose of the Comparable Offers analysis is to compare their offer prices of the Comparable Offers with the respective closing price as at the last trading day, the average closing price during the respective last five consecutive trading days and their net asset value per share attributable to owners, so as to determine whether the Share Offer Price is in line with the recent general offer exercises in the market.

Date of announcement	Company name	Stock code	the closing price of the shares as at the respective last trading day (approximately)	Premium/(discount) over/(to) the average closing price of the shares during the respective last five consecutive trading days (approximately)	the net asset value attributable to owners (Note 1) (approximately)
17/9/2020	Forebase International Holdings Limited	2310	6.47%	12.07%	172.76%
17/9/2020	Unisplendour Technology (Holdings) Limited	365	(41.28%)	(40.94%)	339.13%
18/9/2020	Winto Group (Holdings) Limited	8238	(51.00%)	(52.20%)	283.00%
2/10/2020	TCL Electronics Holdings Limited	1070	(18.20%)	(18.80%)	(30.40%)
2/10/2020	Tonly Electronics Holdings Limited	1249	3.50%	5.60%	(2.80%)
10/10/2019	International Standard Resources Holding Limited	91	(38.20%)	(37.42%)	N/A (Note 2)
31/10/2019	Asia Pacific Silk Road Investment Company Limited	767	8.96%	14.58%	(90.77%)
13/11/2019	Elegance Commercial And Financial Printing Group Limited	8391	(14.50%)	(13.33%)	63.00%
15/11/2019	Emperor Culture Group Limited	491	11.11%	10.80%	(56.99%)
11/12/2019	FSM Holdings Limited	1721	(16.00%)	(8.70%)	82.61%
17/1/2020	Season Pacific Holdings Limited	1709	(19.10%)	(16.16%)	261.80%
21/1/2020	Zhuhai Holdings Investment Group Limited	908	0.83%	1.51%	54.13%
24/1/2020	Imperium Group Global Holdings Limited	776	(20.00%)	(20.00%)	420.00%
5/2/2020	Pine Care Group Limited	1989	105.90%	116.70%	638.60%
11/2/2020	Windmill Group Limited	1850	(4.29%)	(5.96%)	59.52%
27/2/2020	Bonjour Holdings Limited	653	(7.50%)	13.80%	(29.00%)
	Median		(11.00%)	(7.33%)	63.00%
	Maximum		105.90%	116.70%	638.60%
	Minimum		(51.00%)	(52.20%)	(90.77%)
	The Share Offer		25.00%	24.07%	(45.65%)

Note:

1. The net asset value per share represented the latest audited or unaudited net asset value attributable to owners of the respective Comparable Offers based on the latest published financial results of the listed company over the number of issued shares as disclosed in their respective announcements in relation to the general offer exercise;
2. such figure is not available as such company had a net liability position; and
3. all data is sourced from the Stock Exchange.

As set out in the table above, we noted that:

- (i) six out of 16 of the Comparable Offers represent premium to the closing prices of the shares as at the respective last trading day, with a maximum premium of 105.90% and a minimum premium of 0.83%. The Share Offer Price representing a premium of approximately 25% of the average closing prices as at the Last Trading Day is within the range of Comparable Offers; and
- (ii) seven out of 16 of the Comparable Offers represent premium to the closing prices of the shares as at the respective last five consecutive trading days, with a maximum premium of 116.70% and a minimum premium of 1.51%. The Share Offer Price representing a premium of approximately 24.07% of the average closing prices during the last five trading days and within the range of Comparable Offers; and
- (iii) five out of 16 of the Comparable Offers represented discount to its relevant net asset value attributable to owners, with a maximum discount of approximately 90.77% and minimum discount of approximately 2.80%. The Share Offer Price representing a discount of approximately 45.65% of the net asset value attributable to the owners and is within the range of Comparable Offers.

Despite the Share Offer Price represents a discount to the net asset value attributable to the owners of the Company, we note that such discount is within the range of Comparable Offers. We also note that the Shares generally traded at a substantial discount to the net asset value attributable to owners of the Company during the Review Period. The discount of the closing price of Shares to the net asset value attributable to owners of the Company ranged from 46.6% to 85.5% during the Review Period. This range of discount is larger than the discount of the Share Offer Price to the net asset value attributable to owners of the Company of 45.65% (the “**Substantial Discount**”).

In view of the above, given that (i) the Share Offer Price represents a substantial premium to the closing price of the Shares as at the last trading date and the average closing prices of the Shares during the respective last five consecutive trading days and is within the range of Comparable Offers; and (ii) although the Substantial Discount, the Shares had been generally traded at a substantial discount ranging from 46.6% to 85.5% to the net asset value attributable to owners of the Company during the Review Period which is larger than the Substantial Discount. The Substantial Discount is also within the range of Comparable Offers, we therefore consider that the Share Offer Price is fair and reasonable in the comparison of respective closing prices of the Comparable Offers.

5. Analysis of the offer price of Convertible Notes

As set out in the “Letter from Donvex Capital”, the proposed offer price of the Convertible Notes is HK\$546,448 for every HK\$10,000,000 nominal value of the Convertible Notes, determined in accordance with Rule 13 of and Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Notes, being the number of new Shares which the Convertible Notes could be convertible into (i.e. approximately 16,393,442 new conversion Shares (assuming the Share Consolidation in relation to the Convertible Notes are valid and completed)) multiplied by the Share Offer Price of HK\$0.10 per Offer Share, valuing the total Convertible Notes Offer at approximately HK\$1,639,344.

We note that (i) the closing price of the Shares of HK\$0.080 per Share as at the Last Trading Day implies that the market value of each of the Convertible Notes is approximately HK\$437,158 as at the Last Trading Day, representing a discount of 20.0% to the offer price of the Convertible Notes; and (ii) the closing price of the Shares of HK\$0.097 per Share as at the Latest Practicable Date implies that the market value of each of the Convertible Notes is approximately HK\$530,055 as at the Latest Practicable Date, representing a discount of 3.0% to the offer price of the Convertible Notes.

As further set out in the “Letter from the Board”, the remaining Convertible Notes in the principal amount of HK\$30 million, as issued by the Company pursuant to a sale and purchase agreement dated 3 October 2013 (the “SPA”), are convertible into 16,393,443 new conversion Shares (rounded down) (assuming the Share Consolidation in relation to the Convertible Notes are valid and completed). The Convertible Notes were issued in favour of the vendor of the SPA (the “Vendor”) as part of the consideration of the SPA. The Vendor’s entitlement to the Convertible Notes is subject to the Vendor’s due performance of the covenants, warranties and the terms and conditions under the SPA (the “CN Condition”). It is the Company’s case that the Vendor has fundamentally breached the CN Condition. According to a legal opinion dated 2 December 2019, given by the Company’s solicitors, Lam & Co., upon the fundamental breach of the SPA, it is open for the Company to argue that the CN Condition has failed and the outstanding Convertible Notes are void and have no effect. High court action has been commenced by the Company to seek to rescind the SPA and to declare that the Convertible Notes to be null, void and have no effect. As at the Latest Practicable Date, the litigation is still in progress and no judgement has been made.

Pursuant to the terms of the Convertible Notes and subject to the CN Condition, the Convertible Noteholders are entitled to convert each of the Convertible Notes into 5,464,480 new conversion Shares (rounded down) (assuming the Share Consolidation in relation to the Convertible Notes are valid and completed). However, as mentioned above, as the litigation is still in progress and the Company maintains the position that the Convertible Notes are void and are not capable of converting into shares of the Company, the Convertible Notes can only be redeemed or converted until and unless the court has ruled in favour of the Convertible Noteholders.

Based on the above, the Convertible Noteholders may consider (i) converting their Convertible Notes into new conversion Shares if the court has ruled in favour of the Convertible Noteholders, and if they wish to realise their investments in the Company, selling these new conversion Shares in the open market; (ii) converting their Convertible Notes into new conversion Shares if the court has ruled in favour of the Convertible Noteholders, and subject to their individual investment criteria, objectives and/or circumstances, and if they are optimistic about the future prospects of the Group and the Share price performance, retaining the new conversion Shares; and (iii) accepting the Convertible Notes Offer to realise their investment in the Company.

Given that the offer price of the Convertible Notes represents a premium to the implied value of each of the Convertible Notes as at the Last Trading Day and Latest Practicable Date, we consider the offer price of Convertible Notes is fair and reasonable to the Convertible Noteholders and that the Convertible Noteholders will be better off under the terms of the Convertible Notes Offer. In view of the above, including the possibility that the court will rule against the Convertible Noteholders, we consider the Convertible Notes Offer is a good exit opportunity for the Convertible Noteholders to realise their investments.

Nevertheless, as set out in the sub-section headed “Letter from Donvex Capital – Effect of accepting the Offer” in this Composite Document, acceptance of the Convertible Notes Offer by any Convertible Noteholders shall be made subject to the terms and conditions of the Convertible Notes, and will be deemed to constitute a warranty by such person that all Convertible Notes sold by such person under the Convertible Notes Offer are free from all Encumbrance whatsoever, and that the Convertible Noteholders have the full right, power and authority to sell and pass the title and ownership of their Convertible Notes absolutely.

The Convertible Noteholders should note that, pursuant to the SPA, the Convertible Notes (or any part thereof) may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. In respect of transfer to connected person, upon the grant of written consent by the Company and subject to any conditions, approvals, requirements and any other provisions as set out in the SPA and respective certificate of Convertible Notes (the “Certificate”), the Convertible Notes may be transferred if, and only if, the transfer is in accordance with the foresaid provisions. Mr. Chim, being the sole director and sole shareholder of the Offeror, is the executive director of the Company. Accordingly, the Offeror is a connected person of the Company under the Listing Rules. As such, the Convertible Noteholders should obtain the prior written consent of the Company before accepting the Convertible Notes Offer. The Convertible Noteholders should be aware of the transferability of the Convertible Notes and that the written consent by the Company may or may not be provided.

With reference to the Certificate, any notices to be given to the Convertible Noteholders or the Company shall be given by sending the notice by hand or in a prepaid envelope by registered post, in the case of Convertible Noteholders, to its address in Hong Kong as specified in the register of Convertible Noteholders or, in the case of the Company, to its correspondence address in Hong Kong for the time being (for the attention of: the company secretary), or to such other address in Hong Kong as the Convertible Noteholders or the Company shall have notified to the others and any such notice shall be deemed to be served at the time of delivery or (as the case maybe) 48 hours after posting, or if sooner upon acknowledgement of receipt by or on behalf of the party to which it is addressed.

The Convertible Noteholders should be aware of the transferability of the Convertible Notes and that the written consent by the Company may or may not be provided.

CONCLUSION

The Share Offer

Taking into consideration the above-mentioned principal factors and reasons, in particular the following:

- (i) the Group has been making losses for the last four consecutive years ended 31 December 2019 under our analysis;
- (ii) the Share Offer Price represents a substantial premium to the closing price of Share as at the Latest Practicable Date and the same as the average closing price of the Share during the Review Period;
- (iii) Although the Substantial Discount, the Shares had been generally traded at a substantial discount ranging from 46.6% to 85.5% to the net asset value attributable to owners of the Company during the Review Period which is larger than the Substantial Discount;
- (iv) The Offeror has limited experience in running a company which is principally engaged in manufacturing and trading of concrete products; and
- (v) Most of the Directors were newly appointed in May 2019 to June 2019 and did not have any past experience in the principal business of the Group and the Offeror intends to have the Group to continue with its existing principal businesses and has no intention to make any change to the composition of the Board.

We also note that:

- (i) the Share Offer Price represents a substantial premium to the closing price of the Shares as at the last trading date and the average closing prices of the Shares during the respective last five consecutive trading days and is within the range of Comparable Offers; and
- (ii) the Substantial Discount is within the range of Comparable Offers.

As such, we consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend the Independent Shareholders and the Takeovers Code Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

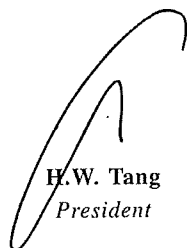
The Convertible Notes Offer

Given that the offer price of the Convertible Notes represents a premium to the implied value of each of the Convertible Notes as at the Last Trading Day and Latest Practicable Date, we consider the offer price of Convertible Notes is fair and reasonable to the Convertible Noteholders and that the Convertible Noteholders will be better off under the terms of the Convertible Notes Offer. In view of the above, including the possibility that the court will rule against the Convertible Noteholders, we consider the Convertible Notes Offer is a good exit opportunity for the Convertible Noteholders to realise their investments. On such basis, we recommend the Convertible Noteholders and the Takeovers Code Independent Board Committee to advise the Convertible Noteholders to accept the Convertible Notes Offer. Nevertheless, as discussed in the sub-section headed "Analysis of the offer price of Convertible Noteholders" in this letter, the Convertible Noteholders should be aware of the transferability of the Convertible Notes and that the written consent by the Company may or may not be provided.

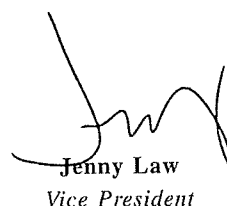
The Independent Shareholders and the Convertible Noteholders should note that the Offers may lapse according to the terms and conditions as set out in the Composite Document and Independent Shareholders and Convertible Noteholders are advised to exercise caution when dealing in the Shares and closely monitor the market price and trading volume which may not be sustainable.

In view of the ongoing litigation as discussed above, the Convertible Noteholders are advised to consult their own legal advisers on acceptance or non-acceptance of the Convertible Notes Offer.

Yours faithfully,
for and on behalf of
Ample Capital Limited



H.W. Tang
President



Jenny Law
Vice President

Mr. H.W. Tang is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. H.W. Tang has over 16 years of experience in the corporate finance industry.

Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Jenny Law has over 10 years' experience in the corporate finance industry.