



3 March 2025

*To: The Independent Board Committee of
Enviro Energy International Holdings Limited*

Dear Sir/Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
BETA INTERNATIONAL SECURITIES LIMITED
FOR AND ON BEHALF OF
THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF
ENVIRO ENERGY INTERNATIONAL 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 our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 3 March 2025 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

References are made to (i) the MGO Announcement jointly published by the Offeror and the Company dated 6 February 2025 in relation to, among other things, the Sale and Purchase Agreements and the Offer; and (ii) the SPA Completion Announcement jointly published by the Offeror and the Company dated 7 February 2025 in relation to the Completion.

The Company was informed by the Vendors, that on 21 January 2025 (after trading hours), the Offeror and the Vendors entered into five Sale and Purchase Agreements in relation to the acquisition of the Sale Shares.

Pursuant to the terms of the five Sale and Purchase Agreements, the Offeror has conditionally agreed to acquire and each of the Vendors have conditionally agreed to sell the Sale Shares, being 709,045,226 Shares in aggregate beneficially owned by the Vendors, representing approximately 49.26% of the entire issued share capital of the Company as at the Latest Practicable Date. The aggregate consideration for the Sale Shares pursuant to the Sale and Purchase Agreements is HK\$35,452,262, equivalent to HK\$0.05 per Sale Share.

As disclosed in the MGO Announcement, the 1st Sale and Purchase Agreement and the 5th Sale and Purchase Agreement were completed on 21 January 2025. As disclosed in the SPA Completion Announcement, the 2nd Sale and Purchase Agreement, 3rd Sale and Purchase Agreement and 4th Sale and Purchase Agreement were completed on 7 February 2025.

Immediately prior to the entering into of the Sale and Purchase Agreements, none of the Offeror, its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company.

Immediately following Completion and as at the Latest Practicable Date, the Offeror, its ultimate beneficial owner and their respective parties acting in concert own 709,045,226 Shares, representing approximately 49.26% of the existing issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, upon the Completion, the Offeror is required to make the mandatory conditional cash offer to acquire all of the Shares in the issued share capital of the Company (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Beta Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the terms set out in the Composite Document.

THE INDEPENDENT BOARD COMMITTEE

Due to the personal health reasons, Mr. Zhong Jian will be unable to fulfill his duties and take responsibilities as a Director and one of the members of the Independent Board Committee in respect of the Offer. On 27 February 2025, the Executive has granted its consent for exclusion of Mr. Zhong Jian from serving on the Independent Board Committee due to his medical condition.

The Independent Board Committee, comprising two non-executive Directors who have no direct or indirect interest in the Offer, namely, Mr. Pan Yongye and Mr. Liu Qin, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the Offer are fair and reasonable and as to their acceptance. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, and our opinion herein is solely for the

assistance of the Independent Board Committee in connection with its consideration of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Our appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, the Offeror or any of their respective substantial shareholders (as applicable), directors or chief executives (as applicable), or any of their respective associates and we were not in the same group as the financial or other professional adviser (including a stockbroker) to the Offeror and the Group, we do not and did not have, a significant connection, financial or otherwise with either the Offeror or the Group, or the controlling shareholder(s) of either of them (as applicable), of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Accordingly, we are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer in compliance with Rule 2.6 of the Takeovers Code.

In the last two years, save for this appointment as the Independent Financial Adviser in respect of the Offer and the independent financial adviser to independent board committee and independent shareholders of the Company regarding the connected transaction in relation to issue of new Shares under specific mandate for debt capitalisation and application for whitewash waiver (the **“Previous Appointment”**), the details of which are set out in the circular of the Company dated 4 April 2024 the (**“Debt Capitalisation Circular”**), we have not acted as any financial adviser role to the Company and the Offeror.

Apart from the normal professional fees paid to us in relation to the current appointment as the Independent Financial Adviser and the Previous Appointment, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, the Offeror or other parties that could reasonably be regarded as relevant to our independence. The aggregate professional fees paid to/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors, the management of the Company (the **“Management”**) and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the

Directors, the Management and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors', the Management's and the Offeror's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer.

The Directors (excluding Mr. Zhong Jian) jointly and severally accept full responsibility for the accuracy of the information contained in the 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 the Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the 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 the Composite Document the omission of which would make any statement in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions, or representations given or made by or on behalf of the Company or the Offeror, nor conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that no delay, limitation, condition or restriction will be imposed in connection with the Offer that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The Offer Shareholders will be notified of any material changes (including changes to our opinions, advices and recommendations) as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Offer, we have taken into account the following principal factors and reasons:

1. Information of the Group

1.1 Background information of the Group

The Group is principally engaged in the supply of construction essentials business in the PRC since 2017, which primarily consisted of two major businesses, namely (i) the supply of building materials business; and (ii) the supply of aluminum related products business, which are part of the construction supply chain.

1.2 Financial information of the Group

Set out below is a summary of (i) the audited financial information of the Group for each of the two financial years ended 31 December 2023 and 2022 (the “FY2023” and “FY2022”, respectively) as extracted from the annual report of the Company for FY2023 (the “2023 Annual Report”); and (ii) the unaudited financial information of the Group for each of the six months ended 30 June 2024 and 2023 (the “1H2024” and “1H2023”,

respectively) as extracted from the interim report of the Company for 1H2024 (the “**2024 Interim Report**”).

	1H2024 <i>HK\$'000</i> (unaudited)	1H2023 <i>HK\$'000</i> (unaudited)	FY2023 <i>HK\$'000</i> (audited)	FY2022 <i>HK\$'000</i> (audited)
Revenue	227,376	242,428	531,504	269,577
(Loss)/profit before income tax	(84,234)	8,199	(14,765)	(248,719)
(Loss) for the period/year attributable to owners of the Company	(92,387)	(2,500)	(35,750)	(257,028)
Gross profit margin	6.8%	8.4%	7.8%	6.2%

	As at 30 June 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Bank and cash balances	19,850	28,027
Current assets	247,660	210,465
Current liabilities	352,498	364,539
Non-current assets	87,368	94,139
Non-current liabilities	9,084	3,949
Net deficit attributable to owners of the Company	(46,686)	(79,680)

The Group recorded an increase in consolidated revenue of approximately HK\$261.9 million, or approximately 97.1%, from approximately HK\$269.6 million in FY2022 to approximately HK\$531.5 million in FY2023. The increase was mainly attributable to the establishment of Hangzhou Junheng Building Materials Company Limited* (杭州峻衡建材有限公司) (“**Hangzhou Junheng**”) in October 2022, which (i) is principally engaged in the supply of building materials to construction and renovation projects in the PRC and

(ii) contributed significantly to the Group's FY2023 revenue (i.e. it started generated revenue shortly after its establishment in October 2022). The Group has the advantage of sourcing building materials at a competitive price and favourable credit terms, the Group's revenue generated from supply of building materials have substantially improved since the establishment of Hangzhou Junheng.

The consolidated loss for the year attributable to owners of the Company decreased by approximately HK\$221.2 million, or approximately 86.1%, from approximately HK\$257.0 million in FY2022 to approximately HK\$35.8 million in FY2023. As per the 2023 Annual Report, such decrease was mainly attributable to there was an impairment loss on loan and interest receivables of approximately HK\$215.3 million provided in FY2022 due to the Company considered that it was uncertain as to whether the Group may recover the relevant loan receivable and interest receivable since the court in Shenzhen, the PRC considered the Group, as the plaintiff, could not provide sufficient evidence to support Shenzhen Aquatic Products Co., Ltd* (深圳市水產有限公司) ("Shenzhen Aquatic") is liable for the repayment of the relevant loan receivable and interest receivable, and the Group has no right to claim the repayment of the loan receivable and interest receivable from Shenzhen Aquatic, details of which was set out in the 2023 Annual Report, while there was no such impairment loss provided in FY2023.

The Group recorded a slight decrease in consolidated revenue of approximately HK\$15.0 million, or approximately 6.2%, from approximately HK\$242.4 million in 1H2023 to approximately HK\$227.4 million in 1H2024. Such decrease was mainly attributable to the decrease in revenue generated from the supply of building materials business.

The consolidated loss for the period attributable to owners of the Company increased by approximately HK\$89.9 million, or approximately 36 times, from approximately HK\$2.5 million for 1H2023 to approximately HK\$92.4 million for 1H2024. As per the 2024 Interim Report, the increase was mainly attributable to (i) the one-off loss on debt capitalisation (details of which re set out in the Debt Capitalisation Circular) of approximately HK\$80.7 million during 1H2024 as a result of debt capitalisation of aggregate indebted amount of approximately HK\$44.9 million owed by the Company and allotment and issue of 896,993,536 capitalisation shares at the issue of price of HK\$0.05 per capitalization share in June 2024; (ii) the decrease in gross profit of approximately HK\$4.8 million which was mainly due to expansion of the Group's client portfolio leading to a lower gross profit margin for sales of building materials in 1H2024; and (iii) there was a fair value loss on investment properties of approximately HK\$4.6 million in 1H2024 while there was no such fair value loss in 1H2023.

The Group recorded increase in current assets by approximately HK\$37.2 million, or approximately 17.7%, from approximately HK\$210.5 million as at 31 December 2023 to approximately HK\$247.7 million as at 30 June 2024 which was mainly attributable to (i) the increase in trade receivables of approximately HK\$19.4 million; (ii) the increase in deposits, prepayments and other receivables of approximately HK\$16.7 million; and (iii) the increase in inventories of approximately HK\$9.2 million, and partially offset by the decrease in bank and cash balances of approximately HK\$8.2 million.

The Group recorded decrease in current liabilities by approximately HK\$12.0 million, or approximately 3.3%, from approximately HK\$364.5 million as at 31 December 2023 to approximately HK\$352.5 million as at 30 June 2024 which was mainly attributable to (i) the decrease in current-portion of shareholders' loans of approximately HK\$11.4 million; (ii) the decrease in current-portion of loans from fellow subsidiaries of approximately HK\$29.6 million; and (iii) the decrease in current-portion of loans from related parties of approximately HK\$3.9 million, and partially offset by (i) the increase in trade and other payables of approximately HK\$22.2 million; and (ii) the increase in contract liabilities of approximately HK\$13.8 million.

The Group's current ratio stood at approximately 0.7 as at 30 June 2024, indicating that current liabilities exceed current assets, which suggests potential liquidity issues; additionally, the Group experienced a net cash used in operating activities of approximately HK\$13.9 million in 1H2024, as compared with a net cash from the operating activities of approximately HK\$9.9 million in 1H2023, resulting in a 29.2% decrease in bank and cash balances as at 30 June 2024.

The Group recorded decrease in non-current assets by approximately HK\$6.8 million, or approximately 7.2%, from approximately HK\$94.1 million as at 31 December 2023 to approximately HK\$87.4 million as at 30 June 2024 which was mainly attributable to the decrease in investment properties of approximately HK\$6.8 million.

The Group recorded increase in non-current liabilities by approximately HK\$5.2 million, or approximately 133.3%, from approximately HK\$3.9 million as at 31 December 2023 to approximately HK\$9.1 million as at 30 June 2024 which was mainly attributable to (i) the increase in non-current portion of shareholders' loans of approximately HK\$1.6 million; (ii) the increase in non-current portion of loans from fellow subsidiaries of approximately HK\$2.9 million; and (iii) the increase in non-current portion of loans from related parties of approximately HK\$0.5 million.

The net deficit attributable to owners of the Company decreased by approximately HK\$33.0 million, or approximately 41.1%, from approximately HK\$79.7 million as at 31 December 2023 to approximately HK\$46.7 million as at 30 June 2024 which was mainly attributable to the issuance of Shares upon completion of the debt capitalisation which took place on 3 June 2024 as per the Company's announcement on the same date.

Apart from the above, we also note from the past annual reports of the Company that its financial performance has been consistently poor over the years, as it has recorded losses attributable to the owners of the Company over the past ten years, being the financial year of 2014 to the financial year of 2023, ranging from approximately HK\$14.5 million recorded for the year ended 31 December 2018 to approximately HK\$357.8 million for the year ended 31 December 2021. This resulted in erosion of the net assets attributable to owners of the Company from approximately HK\$626.6 million as at 31 December 2014 to approximately 221.1 million as at 31 December 2021, and further erosion into net deficit attributable to owners of the Company of approximately 44.7 million as at 31 December 2022. The net deficit attributable to owners of the Company amounts to approximately HK\$79.7 million as at 31 December 2023.

1.3 Prospects and outlook of the PRC construction and construction material market

The Group does not sell any products outside the PRC and generates revenue solely within the PRC. According to data published by the National Bureau of Statistics (國家統計局) of the PRC:

- (i) The cumulative value of completed housing construction area in the PRC (in terms of square meters) has experienced a significant decline over the past few years, dropping by approximately 10.9% from approximately 385,587.90 million square meters recorded in the fourth quarter of 2023 to approximately 343,725.47 million square meters recorded in the fourth quarter of 2024. This downward trend is evident as the figures have decreased from approximately 405,477.25 million square meters recorded in the fourth quarter of 2022 and approximately 408,027.52 million square meters recorded in the fourth quarter of 2021 indicating a downward trajectory.
- (ii) The cumulative monetary value of real estate investment in the PRC has sharply declined over the past two years. By December 2024, cumulative investment reached approximately RMB100,280.21 million, down from approximately RMB110,912.88 million in December 2023 and approximately RMB132,895.41 million in December 2022. This marks a decrease of approximately 9.8% from 2023 to 2024 and a significant decrease of approximately 24.5% from 2022 to 2024. This downward trend signals significant challenges within the real estate sector, highlighting issues such as tightening policies. For example, the 'Three Arrows' policies introduced in November 2022 aimed to unblock financing channels, which includes three financing channels: credit, bond and equity, for China's domestic property development sector, for example (a) the People's Bank of China would provide interest-free relending loans to six commercial banks to guarantee the delivery of property projects; (b) expanding the central bank-backed debt financing tools to include private companies' bond financing and property developers; and (c) mergers, acquisitions, restructuring, support for financing, and refinancing would resume for eligible listed companies in the

property sector, and were designed to ease liquidity pressures on China's real estate sector. Despite these efforts, the market continued to face significant challenges. Furthermore, the continuous decrease in real estate investment may have negative implications for upstream sectors such as construction contractors and their suppliers of construction materials (i.e. the principal business of the Group), intensifying the economic challenges faced by these players in the PRC.

- (iii) Fixed asset investment growth in the PRC has experienced a substantial decline, falling from approximately 5.1% in December 2022 to approximately 3.2% in December 2024. This decline highlights a troubling trend in the economy, as the cumulative growth rate has consistently weakened over the past year. Notably, investment growth has dropped from approximately 4.2% in February 2024 to approximately 3.2% by December 2024, reflecting diminishing confidence among investors and a slowdown in economic activity. Such decline in the growth rate, while still positive, raises concerns about the future viability of infrastructure and development projects, potentially stalling economic recovery efforts.

According to the announcement titled “2024年10月建築材料行業運行情況簡報(Summary on the operation of the building materials industry in October 2024)” published by the中國建築材料聯合會(China Building Materials Federation) (which is under the leadership of the Social Work Department of the CPC Central Committee and currently has more than 1,500 members, composed of various enterprises and institutions engaged in building materials manufacturing, research and development, circulation, education, planning, standards, testing, certification, exhibition, trade, media, construction, and other fields) on 3 January 2025, the revenue of large-scale construction materials enterprises declined by approximately 12.9% from January to October 2024. This decline was consistent with the rate observed from January to September 2024. Additionally, total profits during this period fell by approximately 54.4%, though this decrease was approximately 1.9% less than in the previous period. Several sectors, including cement, concrete, cement products, gypsum, clay and sand mining, building stones, mineral fibers, and composite materials, experienced significant reductions in profit margins. The revenue decline rate for cement, concrete and cement products, and construction stone industries also narrowed compared to September 2024. In contrast, the mineral fiber and composite materials sectors saw revenue growth, while light building materials, stone processing, and mica products continued to report year-on-year profit increases as compared with the period between January and October 2023. In October 2024, the value added in the non-metallic mineral products sector experienced a year-on-year decline of approximately 2.6%, which was an improvement compared to an approximately 1.2% reduction in September 2024. However, from January to October 2024, the cumulative year-on-year value added in the non-metallic mineral products sector fell by approximately 1.4%.

Moreover, according to the announcement titled “2024年5月建築材料行業運行情況簡報” published by the中國建築材料聯合會(China Building Materials Federation) on 29 June 2024, the large-scale construction materials industry saw only a modest year-on-year growth of approximately 0.2% from January to May 2024. This represents an approximately 0.4% decline compared to the previous period and is approximately 6.0% lower than the national industrial growth rate. Since March 2024, the monthly growth rate of value added in the construction materials sector has declined for three consecutive months. Cement production alone reached approximately 690 million tons, down by approximately 9.8% year-on-year. From January to May 2024, factory prices in the construction materials industry fell by approximately 8.1% compared to the previous period. Of the 13 sub-sectors within the industry, 10 reported year-on-year declines in factory prices.

In conclusion, considering that (i) the cumulative value of completed housing construction area in the PRC has experienced a significant decline over the past few years; (ii) real estate investment in the PRC has fallen by approximately 24.5% from approximately RMB132,895.41 million recorded in December 2022 to approximately RMB100,280.21 million recorded in December 2024, according to the National Bureau of Statistics (國家統計局) of the PRC, indicating significant challenges from tightening policies and reduced market demand; and (iii) the construction materials sector is facing widespread revenue declines and production reductions, we are of the view that the outlook for the Group’s existing principal business and the PRC’s construction and construction material industries as a whole are uncertain and volatile.

2. Information of the Offeror

2.1 Background information of the Offeror and parties acting in concert with it

The Offeror is wholly-owned by Mr. Wu. Mr. Wu, aged 67, has extensive management experience in construction and engineering industry. He is the founder and chairman of Zhejiang Zhongnan Construction Group Co., Ltd, a company established in 1984 principally engaged in construction and engineering services in the PRC. Mr. Wu is the ultimate beneficial owner of Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd. (杭州中機建築裝飾工程有限公司), which holds 40% of Hangzhou Junheng Building Materials Limited (杭州峻衡建材有限公司), a subsidiary of the Company since 20 October 2022, as disclosed in the announcement of the Company dated 31 October 2022.

Mr. Wu has won many honors, including Hangzhou Model Worker, Hangzhou Outstanding Contribution to Literature and Art, Outstanding Township Entrepreneur of Zhejiang Province, Chinese Township Entrepreneur, and National Outstanding Entrepreneur of Architectural Decoration. Mr. Wu served as a member of the 10th Zhejiang Provincial Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議浙江省委員會) and a representative of the 12th and 13th

Hangzhou Municipal People's Congress (浙江省人民代表大會). Mr. Wu is currently the Chairman of the Advisory Committee of the Zhejiang Federation of Industry and Commerce, the Chairman-in-office of the Zhejiang Entrepreneurs Association, Vice Chairman of the China Private Economy Research Association, a member of the National Standardization Working Committee of the All-China Federation of Industry and Commerce, the Executive Chairman of the China Cultural Chamber of Commerce for the Private Sector, the Vice Chairman of the China Building Decoration Association, and the Executive Chairman of the Zhejiang Development Association for the Private Sector.

Immediately prior to the entering into of the Sale and Purchase Agreements, none of the Offeror, its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror, its ultimate beneficial owner and their respective parties acting in concert own 709,045,226 Shares, representing approximately 49.26% of the existing issued share capital of the Company as at the Latest Practicable Date.

Despite that Mr. Wu (i) has extensive management experience in construction and engineering industry, (ii) is a minority shareholder of a subsidiary of the Company since 2022, and (iii) is optimistic about the future prospects of the Company and the business of the supply of building materials and aluminum related products in the PRC, it appears that Mr. Wu has no business development plan on the Group as at the Latest Practicable Date.

2.2 Future intentions of the Offeror regarding the Group

Mr. Wu is optimistic about the future prospects of the Company and the business of the supply of building materials and aluminum related products in the PRC. Accordingly, Mr. Wu considers the investment in the Company through the Offeror represents a good opportunity to gain a strong position in the domestic market of building materials and aluminum related products and achieve long-term value and strong returns.

The Offeror intends to continue the principal business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group nor introduce major changes in the business of the Group nor re-deploy the fixed assets of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, to dispose of or to cease the existing business of the Group.

The Offeror will, following the close of the Offer, review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. The Offeror may explore other business

opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror has not identified any such investment or business opportunities nor has entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

The Board currently comprises three executive Directors, namely Mr. Li Gang (Chairman), Mr. Pan Lihui and Mr. Cao Zhongshu; two non-executive Directors, namely Mr. Jiang Senlin and Ms. Wu Wenling; and three independent non-executive Directors, namely Mr. Zhong Jian, Mr. Pan Yongye and Mr. Liu Qin.

The Offeror intends to nominate new Director(s) to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror had not identified any candidate(s) for the new Director(s) to be appointed to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

2.3 Public float and maintain the listing status of the Company

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

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 (excluding treasury shares), are held by the public, or if the Stock Exchange believes that:

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

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

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board of the Company (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

2.4 Our view

Having considered that (i) the Offeror had no intention to make material changes to the employment of the employees of the Group; (ii) the intention of the Offeror is that the Company's existing principal activities will be maintained, and at the same time, following the close of the Offer, the Offeror will review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base, as at the Latest Practicable Date, no investment or business opportunity had been identified; and (iii) the Offeror had no intention to dispose or re-deploy the assets of the Group other than those in its ordinary and usual course of business, we expect that there would not be substantial change in the principal business activities of the Group as a direct result of the Offer.

3. Principal terms of the Offer

As disclosed in the "Letter from Beta Securities" in the Composite Document, Beta Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following basis:

For each Offer Share HK\$0.05 in cash

The Offer Price of HK\$0.05 per Offer Share is equal to the purchase price per Sale Shares paid by the Offeror under the Sale and Purchase Agreements.

All the Offer Shares to be acquired under the Offer shall be (i) fully-paid; (ii) free from mortgage, charge, pledge, lien (otherwise than arising by statutes or operation of law), equities or other third party rights and interests of any nature; and (iii) with all rights attached to the Shares including all rights to any dividends and other distributions hereafter declared, paid or made, if any, on or after the date on which the Offer is made, being the date of despatch of the Composite Document.

The Directors (excluding Mr. Zhong Jian) confirm that, as at the Latest Practicable Date, the Company has not declared any dividend that is unpaid and does not intend to declare or pay any dividend or make other distributions on or before the close or lapse of the Offer.

Condition to the Offer

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

If the Condition cannot be fulfilled by the Closing Date, the Offer will lapse unless the Closing Date is extended. The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the condition to the Offer in accordance with the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Condition has not been fulfilled.

Comparisons of value of the Offer Price

The Offer Price of HK\$0.05 per Offer Share represents:

- (i) a discount of approximately 13.79% to the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 24.24% to the closing price of HK\$0.066 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.03% to the average closing price of HK\$0.061 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 20.38% to the average closing price of HK\$0.0628 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a price difference of approximately HK\$0.094 as compared to the audited consolidated net liabilities of approximately HK\$0.044 per Shares as at 31 December 2023, which is calculated based on the Group's audited consolidated net liabilities of the Company of approximately HK\$63,884,000 as at 31 December 2023 and 1,439,385,743 Shares in issue as at the Latest Practicable Date; and
- (vi) a price difference of approximately HK\$0.068 as compared to the unaudited consolidated net liabilities of the Company of approximately HK\$0.018 per Share as at 30 June 2024, which is calculated based on the Group's unaudited consolidated net liabilities of the Company of approximately HK\$26,554,000 as at 30 June 2024 and 1,439,385,743 Shares in issue as at the Latest Practicable Date.

4. Value and total consideration of the Offer

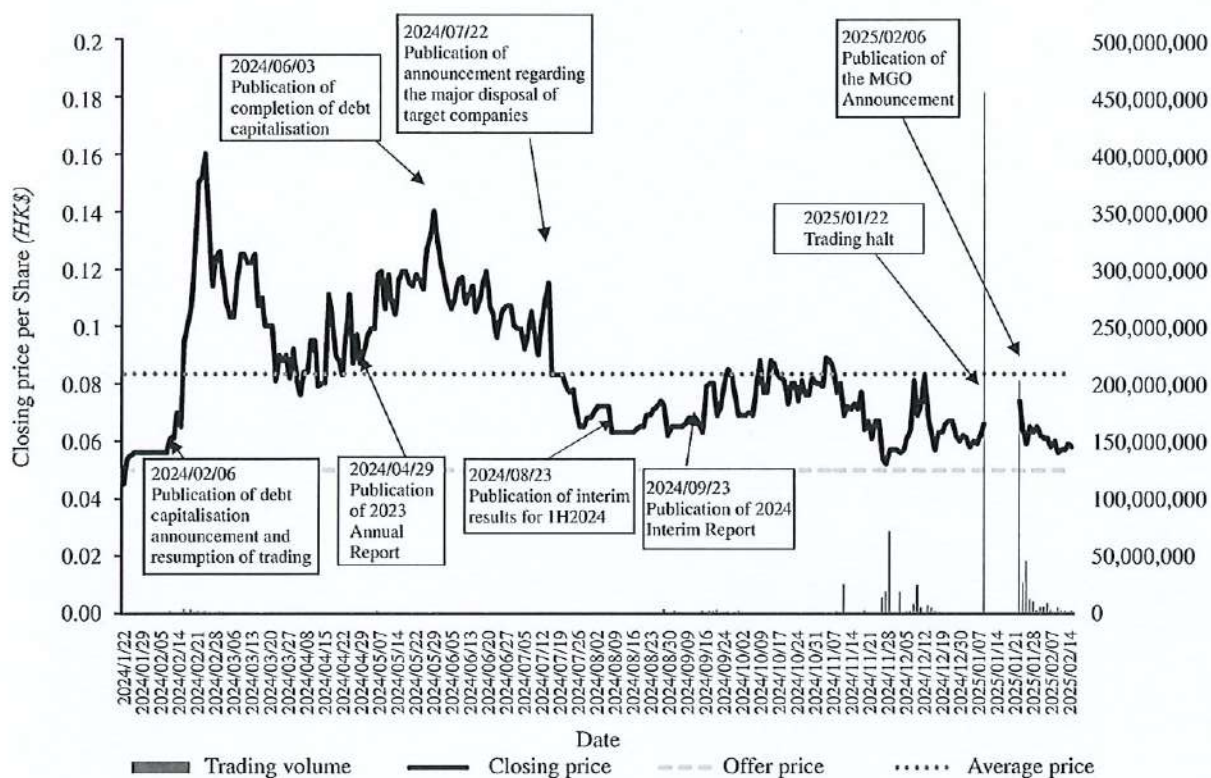
As at the Latest Practicable Date, the Company had 1,439,385,743 Shares in issue. On the basis of the Offer Price of HK\$0.05 per Share, the entire issued ordinary share capital of the Company would be valued at approximately HK\$71.97 million.

Immediately after the Completion and as at the Latest Practicable Date, save for (i) the 709,045,226 Shares held by the Offeror; and (ii) the 134,597,737 Shares held by the WIFHL Concert Group, of which the WIFHL Concert Group has irrevocably undertaken not to accept the Offer, and assuming the Offer is accepted in full and assuming that there is no change in the total issued share capital of the Company up to the close of the Offer, a total of 595,742,780 Shares (representing approximately 41.39% of the total issued share capital of the Company as at the Latest Practicable Date) will be subject to the Offer. The maximum cash consideration payable by the Offeror under the Offer would be HK\$29,787,139 based on the Offer Price of HK\$0.05 per Offer Share.

5. Historical price and trading volume of the Shares

Set out below is the historical price performance of the Shares as quoted on the Stock Exchange during (i) the one-year period prior to the Last Trading Day; and (ii) the period from the Last Trading Day up to the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period is appropriate as (i) it reflects the general trend and recent market valuation of the Shares; (ii) a shorter period (e.g. 6 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. 2 years) may have been too distant in time making such historical trend less relevant within the context of the Offer and with reference to the dynamic financial markets.

5.1 Historical price performance of the Shares



Source: website of the Stock Exchange

Notes:

- Trading in Shares was halted from 9:00 a.m. on 22 January 2025 and resumed at 9:00 a.m. on 7 February 2025.
- The MGO Announcement was published on the 6 February 2025 (after trading hours).
- The SPA Completion Announcement was published on 7 February 2025 (after trading hours).

Throughout the Review Period, the closing price of the Shares experienced notable fluctuations roughly between HK\$0.045 on 22 January 2024 and HK\$0.160 on 26 February 2024. Notably, the Offer Price of HK\$0.05 consistently remained below the observed trading prices during the Review Period. During the Review Period, the Offer Price of HK\$0.05 is higher than the closing prices of the Shares for one trading day out of the total of 271 trading days during the Review Period.

Following the announcement of debt capitalisation on 6 February 2024, the share prices rose significantly, increasing from HK\$0.056 on 7 February 2024, to HK\$0.160 on 26 February 2024, before gradually declining to HK\$0.076 by 8 April 2024.

After the release of the 2023 Annual Report on 29 April 2024, the share prices increased again, rising from HK\$0.097 on 30 April 2024, to HK\$0.140 on 3 June 2024. However, after the publication of completion announcement regarding the debt capitalisation, the share prices began to trend downward, reaching HK\$0.066 on 21 January 2025.

In light of (i) the historical price performance of the Shares during the Review Period; (ii) the discount of approximately 24.24%, 18.03%, and 20.38% represented by the Offer price of the Shares to the closing price of the Shares on the Last Trading Day, the average closing price for the last five (5) and thirty (30) consecutive trading days up to and including the Last Trading Day, respectively; and (iii) while the share price has exhibited volatility, it has consistently traded above the Offer Price, we are of the view that the Offer Price is unattractive and therefore, not fair and reasonable when compared to historical price performance.

5.2 Average daily trading volume for each month during the Review Period

The table below sets out the average daily trading volume of the Shares and the percentages of average daily trading volume to the total number of issued Shares and Shares held by public Shareholders, respectively, during the Review Period:

Period/Month	Number of trading day	Average daily trading volume of the Shares per month (approximate)	Average daily trading volume of the Shares to the total number of issued Shares ² (approximate)	Average daily trading volume of the Shares to the total number of issued Shares held by the public Shareholders ³ (approximate)
2024				
January (Starting from commencement of the Review Period)	8	128,935	0.009%	0.022%
February	19	1,056,297	0.073%	0.177%
March	20	339,640	0.024%	0.057%
April	20	132,705	0.009%	0.022%
May	21	477,805	0.033%	0.080%
June	19	193,297	0.013%	0.032%
July	22	130,270	0.009%	0.022%
August	22	47,748	0.003%	0.008%
September	19	909,637	0.063%	0.153%
October	21	419,470	0.029%	0.070%
November	21	1,712,345	0.119%	0.287%
December	20	9,032,452	0.628%	1.516%
2025				
January ¹	19	24,062,863	1.672%	4.039%
February (up to the Latest Practicable Date)	20	17,049,747	1.185%	2.862%

Source: website of the Stock Exchange

Notes:

1. Trading in the Share was halted on 22 January 2025 due to pending of publication of the MGO Announcement.
2. Based on 1,439,385,743 Shares in issue immediately as at the Latest Practicable Date.
3. Based on 595,742,780 Shares held by the public Shareholders as at the Latest Practicable Date.

During the Review Period, the average daily trading volume ranged from approximately 47,748 Shares (in August 2024) to approximately 24,062,863 Shares (in January 2025), representing approximately 0.009% to 1.672% of the total number of issued Shares, and representing approximately 0.022% to 4.039% of the total number of issued Shares held by public Shareholders as at the end of the respective month/period. It is noted that the highest trading volume occurred on 21 January 2025, representing approximately 31.5% of the total number of issued Shares. We have discussed with Management and were informed that they were not aware of any particular reason that led to such higher trading volume on those dates as no particular news was announced by the Group immediately before the dates. Save and except for December 2024 and January 2025, the average daily trading volume of the Shares was below 0.287% of the total number of issued Shares held by public Shareholders from time to time during the entire Review Period indicating generally thin trading volume for the Shares.

In view of the above, while the Offer presents an opportunity for Independent Shareholders to dispose of a significant number of Shares without exerting downward pressure on the market price, it is important to note that the Offer Price of HK\$0.05 is lower than the recent market prices observed during the Review Period. As such, Shareholders may find the Offer less attractive in comparison to prevailing market levels if the Shareholders could be able to dispose of their Shares in the open market amid the thin trading volume of the Shares such that the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds under the Offer.

6. Comparable analysis on the terms of the Offer

In assessing the fairness and reasonableness of the Offer, we have performed a comparable analysis on the terms of the Offer, we compared the price-to-earnings ratio (“**PE Ratio**”), the price-to-book ratio (“**PB Ratio**”) and the price-to-sales ratio (“**PS Ratio**”) of the Company implied by the Offer Price with other listed companies in Hong Kong with business similar to that of the Company. PE Ratio, PB Ratio and PS Ratio are the commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained directly from publicly available information and reflect the value of the company determined by the open market. However, given that (i) the Group recorded loss for the year attributable to the owners of the Company for FY2023, which is the latest full financial year prior to publication of the MGO Announcement; and (ii) the Group recorded a deficit as at 30 June 2024, PE Ratio and PB Ratio are not applicable and we can only rely on the remaining PS Ratio for our comparable analysis. The PS Ratio is a valuation metric that compares the stock price of a business to its revenue and is measure of how much the financial markets value each dollar of a company’s sales or profits. The PS Ratio also indicates how much money investors are ready to pay for a stock per dollar of sales. Accordingly, despite the PE Ratio and the PB Ratio of the Group are both not available, we consider the only ratio, i.e. the PS Ratio is still a relevant indicator for assessing the Offer Price.

Given that (i) the Group is principally engaged in the supply of construction essentials business in PRC; and (ii) the market capitalisation of the Company was approximately HK\$95.0 million as at the Last Trading Day (based on the total issued shares of 1,439,385,743 Shares and the closing price of Share as at the Last Trading Day, HK\$0.066), for the purpose of our comparable analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Stock Exchange; (ii) engages in principal business similar to those of the Group and generated all of its revenue for the latest completed financial year from the PRC; and (iii) are of comparable size to the Company with closing market capitalisation as at the Last Trading Day of up to HK\$200 million. Based on the such criteria, we have identified, to the best of our knowledge, an exhaustive list of 4 comparable companies (the “Comparable Companies”).

The Comparable Companies were selected exhaustively with a 100% coverage of all suitable Comparable Companies satisfying the above selection criteria under an unbiased selection process. Although there are differences in financial conditions, target customers and market capitalisation between the Company and the Comparable Companies, in light of that the Comparable Companies are engaged in similar principal activities and listed on the Stock Exchange, they are likely to be influenced by similar macro-economic factors as the Group including, but not limited to, economic outlook and demand for construction essentials. In light of the above, we are of the view that the Comparable Companies are a fair and representative sample and can serve as a reference to the fairness and reasonableness of the Offer Price.

The following table sets out our analysis on the Comparable Companies:

No.	Company name	Stock code	Principal Business	Market capitalisation as at Last Trading Day (HK\$'million) (note 1)	Revenue of the respective Comparable Company/ Company in the latest financial year (HK\$'million) (note 2)	PS Ratio (times) (note 3)
1	Sunway International Holdings Ltd.	00058.HK	Principally engaged in manufacturing and trading of pre-stressed high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products	78.7	246.5	0.32

No.	Company name	Stock code	Principal Business	Market capitalisation as at Last Trading Day (HK\$'million) (note 1)	Revenue of the respective Comparable Company/ Company in the latest financial year (HK\$'million) (note 2)	PS Ratio (times) (note 3)
2	YCIH Green High-Performance Concrete Co Ltd	01847.HK	Primarily engaged in the research, development, production, sales, transportation and pumping of ready-mixed concrete as well as providing quality and technology management service in the PRC	48.2	1,518.2	0.03
3	Huaibei GreenGold Industry Investment Co Ltd	02450.HK	Primarily engaged in the production and sales of construction material products	138.6	313.9	0.44
4	Tailam Tech Construction Holdings Ltd	06193.HK	Primarily engaged in the manufacturing and sale of PHC piles, commercial concrete and ceramsite concrete block in the PRC	76.0	264.6	0.29
				Minimum		0.03
				Maximum		0.44
				Average		0.27
				Median		0.30
	The Offer/The Company			71.97 (note 4)	531.50	0.14 (note 5)

Source: website of the Stock Exchange and the annual/interim reports of the Comparable Companies

Notes:

1. Based on the closing price of the share of the respective Comparable Company as quoted on the Stock Exchange as at the Last Trading Day and their respective issued shares (excluding treasury shares) as quoted on the latest published monthly return available on the website of the Stock Exchange.
2. Based on the figures from respective Comparable Companies' latest published annual reports.

3. The figures are calculated based on the market capitalisation of the respective Comparable Company (please refer to note 1 above) divided by the revenue of the respective Comparable Company in the latest financial year.
4. Being the market capitalisation of the Company implied by the Offer Price.
5. The figure is calculated by dividing the market capitalisation of the Company implied by the Offer Price and the revenue of the Company for FY2023 from the 2023 Annual Report.

As shown above, the PS Ratios of the Comparable Companies ranged from approximately 0.03 times to approximately 0.44 times (the “PS Ratio Range”), with an average of 0.27 times and a median of approximately 0.30 times. The PS Ratio of the Company implied by the Offer Price of approximately 0.14 times falls within the PS Ratio Range, but lower than both the average and median of PS Ratios of the Comparable Companies. Based on the results of the above comparable analysis, the Offer Price is not attractive in this regard.

7. Irrevocable Undertaking

Immediately after the entering into of the Sale and Purchase Agreements and as at the Latest Practicable Date, the WIFHL Concert Group holds 134,597,737 Remaining Shares, representing approximately 9.35% of the issued share capital of the Company.

On 21 January 2025, each of the member of the WIFHL Concert Group entered into the Irrevocable Undertaking pursuant to which they have had irrevocably undertaken to and covenanted with the Offeror that (i) they will not accept the Offer; and (ii) they will remain as the legal and beneficial owner of the 134,597,737 Remaining Shares, representing approximately 9.35% of the issued share capital of the Company as at the Latest Practicable Date, during the period commencing on the date of the Irrevocable Undertaking and ending on the Completion up to and including the Closing Date. Such irrevocable undertaking will cease upon the close of the Offer.

RECOMMENDATION

Notwithstanding that:

- (i) the Offer Price appeared to be unattractive when compared to historical price performance, as it represents a discount of 24.24%, 18.03%, and 20.38% to the closing price of the Shares on the Last Trading Day and, the average closing price of the Shares for the last five (5) and thirty (30) consecutive trading days up to and including the Last Trading Day, respectively; and
- (ii) the implied PS Ratio of the Offer Price is below both the average and median of those commanded by the Comparable Companies, and therefore appeared to be not attractive in this regard,

we have also considered all the below factors as a whole, in particular that:

- (i) the Offer Price represents a price difference of approximately HK\$0.068 as compared to the unaudited consolidated net liabilities of the Company of approximately HK\$0.018 per Share as at 30 June 2024;
- (ii) we consider the uncertainties in the future performance of the Group to be significant given that (a) there were net deficits attributable to owners of the Company of approximately HK\$79.7 million as at 31 December 2023 and approximately HK\$46.7 million as at 30 June 2024; (b) although the loss attributable to owners decreased from approximately HK\$257.0 million in FY2022 to approximately HK\$35.8 million in FY2023, this improvement was largely due to the absence of impairment losses in FY2023; (c) the revenue decreased by approximately HK\$15.0 million or 6.2%, from approximately HK\$242.4 million in 1H2023 to approximately HK\$227.4 million in 1H2024, while the loss attributable to owners surged to approximately HK\$92.4 million in 1H2024, a staggering increase of approximately 36 times compared to HK\$2.5 million in 1H2023, even when excluding the one-off loss on debt capitalisation of approximately HK\$80.7 million, the Group still recorded an adjusted loss attributable to owners of approximately HK\$11.7 million in 1H2024, more than triple the loss recorded in 1H2023, which was mainly driven by the decrease in gross profit of approximately HK\$4.8 million and a fair value loss on investment properties of approximately HK\$4.6 million; and (d) the Group's current ratio stood at approximately 0.7 as at 30 June 2024, indicating that current liabilities exceed current assets, which suggests potential liquidity issues; additionally, the Group experienced a net cash used in operating activities of approximately HK\$13.9 million in 1H2024, as compared with a net cash from the operating activities of approximately HK\$9.9 million in 1H2023, resulting in a 29.2% decrease in bank and cash balances as at 30 June 2024;
- (iii) the financial performance of the Group has been consistently poor over the years, as it has recorded losses attributable to the owners of the Company over the past ten years, being the financial year of 2014 to the financial year of 2023, ranging from approximately HK\$14.5 million recorded for the year ended 31 December 2018 to approximately HK\$357.8 million for the year ended 31 December 2021;
- (iv) despite that Mr. Wu (i) has extensive management experience in construction and engineering industry, (ii) is a minority shareholder of a subsidiary of the Company since 2022, and (iii) is optimistic about the future prospects of the Company and the business of the supply of building materials and aluminum related products in the PRC, it appears that Mr. Wu has no business development plan on the Group as at the Latest Practicable Date, leaving uncertainty as to the future prospect of the Group, whether the prolonged loss-making position could be turned around;
- (v) there were no dividends paid, declared or proposed by the Company since 2015;

- (vi) the outlook for the PRC's construction material market is uncertain and volatile given (a) the cumulative value of completed housing construction area in the PRC has experienced a significant decline of approximately 15.8% from approximately 408,027.52 million square meters recorded in the fourth quarter of 2021 to approximately 343,725.47 million square meters recorded in the fourth quarter of 2024; (b) the real estate investment has fallen by approximately 24.5% over the past two years, indicating significant challenges from tightening policies and reduced market demand; and (c) the construction materials sector is facing widespread revenue declines and production reductions, details of which was set out under the paragraph headed "1.3 Prospects and outlook of the PRC construction and construction material market" in this letter;
- (vii) even considering the recent surge in trading volume during January 2025 and February 2025, the Shares have exhibited generally low trading liquidity during the Review Period. Save and except for December 2024, January 2025 and February 2025, the average daily trading volume of the Shares was below 0.287% of the total number of issued Shares held by public Shareholders from time to time during the entire Review Period. This low liquidity indicates that Independent Shareholders with substantial holdings might face difficulties in realising their investments in the open market without exerting significant downward pressure on the market price; and
- (viii) despite that the implied PS Ratio of the Offer Price is below both the average and median of those commanded by the Comparable Companies, the implied PS Ratio of the Offer Price still falls within the PS Ratio Range and is considered fair and reasonable,

we are of the opinion that the Offer is, fair and reasonable so far as the Independent Shareholders are concerned, we would recommend the Independent Board Committee to advise the Shareholders to accept the Offer as a viable exit (especially those with substantial holdings of the Shares) given the above circumstances.

In view of the recent upsurge in the trading volume of the Shares since December 2024 and fluctuations in the trading price of the Shares, in particular the period after the publication of the MGO Announcement, the Shareholders, in particular, those with substantial holdings of the Shares, who would like to realise their investments in the Company are reminded to closely monitor the market trading price and liquidity of the Shares during the period prior to the latest time for acceptance of the Offer, currently being 4:00 p.m. on Monday, 24 March 2025, and should, having regard their own circumstances, consider disposing of their Shares in the open market, if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds under the Offer.

On the contrary, if Shareholders maintain an optimistic view on the business prospect and Share price performance of the Group, they may consider not to accept the Offer and maintain all or part of their Shares at their own discretion. The Shareholders, who wish to retain all or part of their investments in the Company, should carefully monitor the future plans in relation to the Company that may be implemented by the Offeror, and given the historically low liquidity of the Shares, take into consideration the potential difficulties in realising their investments in the Company at or higher than the Offer Price after the Closing Date.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders 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. Furthermore, they would carefully read the procedures for accepting or not accepting the Offer as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited

A blue ink signature of Philip Chau, consisting of a series of fluid, connected loops and a long horizontal stroke at the end.

Philip Chau
Managing Director

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited

A black ink signature of Kevin So, featuring a stylized 'K' followed by a series of loops and a long horizontal stroke.

Kevin So
Managing Director — Investment Banking Department

Note:

Mr. Philip Chau is a licensed person under the SFO to undertake types 1 and 6 regulated activities (dealing in securities and advising on corporate finance respectively) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. Chau has over 30 years of experience in banking and corporate finance in Hong Kong.

Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 20 years of experience in the corporate finance industry in Hong Kong.