
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

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

Wealthy Port Holdings Limited
(Incorporated in Hong Kong with limited liability)


SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 58)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
WEALTHY PORT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
AND ALL 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)**

Financial Adviser to the Offeror



Offer Agent to the Offeror



Independent Financial Adviser to the Takeovers Code Independent Board Committee



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

A letter from Donvex Capital containing, among other things, the details of the terms and conditions of the Offers, is set out on pages 7 to 21 of this Composite Document. A letter from the Board is set out on pages 22 to 30 of this Composite Document. A letter from the Takeovers Code Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders and the Convertible Noteholders is set out on pages 31 to 33 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Takeovers Code Independent Board Committee in respect of the Offers is set out on pages 34 to 70 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out on pages 71 to 84 in Appendix I "Further Terms and Procedures of Acceptance of the Offers" to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers must be received by the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (in respect of the Share Offer) or the Company (in respect of the Convertible Notes Offer) by no later than 4:00 p.m. on Friday, 27 December 2024, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Important Notices" contained in this Composite Document, the paragraph headed "Overseas Independent Shareholders and Overseas Convertible Noteholders" in the "Letter from Donvex Capital" and the paragraph headed "8. Overseas Shareholders and Overseas Convertible Noteholders" in Appendix I "Further Terms and Procedures of Acceptance of the Offers" to this Composite Document before taking any action.

It is the responsibility of each Overseas Shareholder and Overseas Convertible Noteholder who wishes to accept the Offers to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdictions, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due from such Overseas Shareholder(s) and Overseas Convertible Noteholder(s) in respect of such jurisdiction. Overseas Shareholders and Overseas Convertible Noteholders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.hk0058.com> as long as the Offers remain open.

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EXPECTED TIMETABLE

All references to dates and times contained in this Composite Document and the accompanying Forms of Acceptance refer to Hong Kong dates and times.

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate.

Despatch date of this Composite Document and the Form(s) of Acceptance and the commencement date of the Offers (<i>Note 1</i>)	Friday, 6 December 2024
Latest time and date for acceptance of the Offers (<i>Note 2</i>).	4:00 p.m. on Friday, 27 December 2024
Closing Date (<i>Note 1</i>)	Friday, 27 December 2024
Announcement of the results of the Offers on the website of the Stock Exchange (<i>Note 2</i>)	by 7:00 p.m. on Friday, 27 December 2024
Latest date for posting of remittance in respect of valid acceptances received under the Offers (<i>Note 4</i>)	Wednesday, 8 January 2025

Notes:

1. The Offers, which are unconditional in all respect, are made on 6 December 2024, namely the date of this Composite Document and the Form(s) of Acceptance, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “Right of Withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offers must remain open for acceptance for at least twenty-one (21) days following the date of this Composite Document was posted. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 27 December 2024 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company by 7:00 p.m. on Friday, 27 December 2024 stating the results of the Offers and whether the Offers have been extended, revised or expired. In the event that the Offeror decides to extend the Offers, and the announcement regarding the extension of the Offers does not specify the next closing date, at least 14 days’ notice in writing will be given to those Independent Shareholders and Convertible Noteholders who have not accepted the Offers before the Offers are closed and an announcement will be published.
3. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, or post-super typhoon extreme conditions: (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, (i) the Closing Date and the latest time for acceptance of the Offers under Rule 15.1 of the Takeovers Code and the submission and publication deadline for a closing announcement under Rule 19.1 of the Takeovers Code; (ii) the latest date for the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have any warnings between 12:00 noon and 4:00 p.m..

Save as mentioned above, if the latest time for the acceptance of the Offers does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders and the Convertible Noteholders by way of announcement(s) of any change in the expected timetable as soon as possible.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS AND OVERSEAS CONVERTIBLE NOTEHOLDERS

The making of the Offers to Overseas Shareholders and Overseas Convertible Noteholders may be prohibited or affected by the applicable laws and regulations of the relevant jurisdictions. Overseas Shareholders and Overseas Convertible Noteholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers.

It is the responsibility of each Overseas Shareholder and Overseas Convertible Noteholders who wishes to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required, or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholder(s) and Overseas Convertible Noteholder(s) in respect of such jurisdiction.

The Offeror, parties acting in concert with the Offeror, the Company, the Independent Financial Adviser, Kingston Securities, Donvex Capital Limited, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders and Overseas Convertible Noteholders for any taxes as such persons may be required to pay.

Please see the paragraph headed “ Overseas Independent Shareholders and Overseas Convertible Noteholders” in the “Letter from Donvex Capital” and the paragraph headed “8. Overseas Shareholders and Overseas Convertible Noteholders” in Appendix I “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document for further details.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

IMPORTANT NOTICE

The Company will notify the Independent Shareholders and the Convertible Noteholders of any material change to information contained or referred to in this Composite Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“ BLUE Form of Convertible Notes Offer Acceptance”	the BLUE form of acceptance and transfer of the Convertible Notes in respect of the Convertible Notes Offer
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CB Completion”	the completion of the issuance of the Convertible Bonds in accordance with the terms and conditions of the CB Subscription Agreement
“CB Subscription”	the issuance of the Convertible Bonds by the Company to the Subscriber under the CB Subscription Agreement
“CB Subscription Agreement”	the CB Subscription Agreement dated 6 September 2024 entered into amongst the Subscriber and the Company in relation to the Convertible Bonds
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Closing Date”	Friday, 27 December 2024, being the closing date of the Offers, which is 21 days after the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date of the Offers as extended and announced by the Offeror in accordance with the Takeovers Code

DEFINITIONS

“Company”	Sunway International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 58)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders and the Convertible Noteholders in connection with the Offers in compliance with the Takeovers Code containing, among other things, details of the Offers (accompanied by the Forms of Acceptance) and the respective letters of advice from the Takeovers Code Independent Board Committee and the Independent Financial Adviser
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules and the term “connected” shall be construed accordingly
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Convertible Bonds”	the 1-year nil interest convertible bonds in the principal amount of HK\$30,000,000 due 2025
“Convertible Noteholder(s)”	the holder of the Convertible Note(s) from time to time
“Convertible Notes”	the outstanding convertible notes due on 28 April 2017 in the principal amount of HK\$15,000,000 which could be convertible into a total of 1,639,344 new conversion Shares at the conversion price of HK\$9.15 per conversion share
“Convertible Notes Offer”	the mandatory unconditional cash offer to be made by Kingston Securities for and on behalf of the Offeror to acquire the Convertible Notes in accordance with the terms described in this Composite Document
“Director(s)”	the director(s) of the Company from time to time

DEFINITIONS

“Donvex Capital”	Donvex Capital Limited, the financial adviser of the Offeror in respect of the Offers, and a corporation licensed to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
“Encumbrances”	includes any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set off, claim, counterclaim, trust arrangement or other security, any equity or restriction (including any restriction imposed under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or other adverse rights and interests of all kinds and descriptions)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form(s) of Acceptance”	the WHITE Form of Share Offer Acceptance and the BLUE Form of Convertible Notes Offer Acceptance (as the context may require) in respect of the Offers accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Takeovers Code Independent Board Committee, the Independent Shareholders and the Convertible Noteholders in relation to the Offers
“Independent Shareholders”	the Shareholders other than the Offeror and the parties acting in concert with it

DEFINITIONS

“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 27 September 2024 in relation to, among other things, the Offers
“Last Trading Day”	5 September 2024, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement
“Latest Practicable Date”	3 December 2024, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chim”	Mr. Chim Pui Chung, the sole shareholder and sole director of the Offeror
“Offer Period”	has the meaning ascribed to it under the Takeovers Code which commences on the date of the Joint Announcement and ends on the date on which the Offers close or lapse
“Offer Share(s)”	the Shares (other than those already owned or to be acquired by the Offeror or parties acting in concert with it) that are subject to the Share Offer
“Offeror”	Wealthy Port Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company as at the Latest Practicable Date, which is beneficially and wholly owned by Mr. Chim
“Offers”	the Share Offer and the Convertible Notes Offer
“Overseas Convertible Noteholders”	Convertible Noteholders whose address(es), as shown on the register of Convertible Noteholders of the Company is/are outside Hong Kong

DEFINITIONS

“Overseas Independent Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which shall, for the purpose of this Composite Document, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, with its address at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period from 27 March 2024, being the date falling six months preceding the commencement of the Offer Period up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	The ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Offer”	the mandatory unconditional cash offer to be made by Kingston Securities for and on behalf of the Offeror for all the Offer Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.10 per Offer Share
“Share Subscription”	the subscription of the Subscription Shares by the Offeror under the Share Subscription Agreement

DEFINITIONS

“Share Subscription Agreement”	the share subscription agreement dated 6 September 2024 entered into amongst the Offeror and the Company in relation to the Subscription Shares
“Share Subscription Completion”	the completion of the subscription of the Subscription Shares in accordance with the terms and conditions of the Share Subscription Agreement
“Share Subscription Price”	HK\$0.100, being the higher of the average closing price per Share as quoted on the Stock Exchange for the 5 consecutive trading days prior to the date of the Share Subscription Agreement, and the nominal Share value of HK\$0.100 per Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	an aggregate of 35,920,000 Shares to be subscribed by the Subscriber upon the Share Subscription Completion
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Takeovers Code Independent Board Committee”	an independent committee of the Board comprising all the non-executive Directors who have no direct or indirect interest in the Offers, established for the purpose of advising the Independent Shareholders and the Convertible Noteholders in respect of the Offers and in particular as to whether the Offers are fair and reasonable and as to acceptance of the Offers
“ WHITE Form of Share Offer Acceptance”	the WHITE form of acceptance and transfer of Shares in respect of the Share Offer
“%”	per cent

LETTER FROM DONVEX CAPITAL



Unit 2501-2, 25/F.,
Carpo Commercial Building,
18-20 Lyndhurst Terrace,
Central, Hong Kong

6 December 2024

To the Independent Shareholders and Convertible Noteholders,

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
WEALTHY PORT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
AND ALL 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

Reference is made to the Joint Announcement and the circular of the Company dated 30 October 2024 in relation to the subscription of new Shares under specific mandate in connection with the Share Subscription Agreement.

The Share Subscription and the CB Subscription

On 6 September 2024, the Company and the Offeror entered into the Share Subscription Agreement pursuant to which the Offeror has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the Subscription Shares (i.e. a total of 35,920,000 Shares (representing approximately 16.67% of the entire issue share capital of the Company as at the Latest Practicable Date)) at the Share Subscription Price of HK\$0.10 per Subscription Share.

LETTER FROM DONVEX CAPITAL

On 6 September 2024, the Company and the Offeror entered into the CB Subscription Agreement pursuant to which the Company has conditionally agreed to issue and the Offeror has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$30,000,000.

The Share Subscription Completion and CB Subscription Completion took place on 29 November 2024. Upon the Share Subscription Completion and the CB Subscription Completion, the Offeror and parties acting in concert with it are interested in (i) 109,613,706 Shares, representing approximately 50.86% of the entire issued share capital of the Company as at the Latest Practicable Date; and (ii) the Convertible Bonds which are convertible into 300,000,000 new conversion Shares at the initial conversion price of HK\$0.10 per conversion Share.

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, upon the Share Subscription Completion, the Offeror and the parties acting in concert with it is required to make a mandatory unconditional 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).

This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the letter from the Board as well as the letter from the Takeovers Code Independent Board Committee and the letter from the Independent Financial Adviser in respect of the Offers, as contained in this Composite Document.

THE OFFERS

As at the Latest Practicable Date, there was 215,520,000 Shares in issue as a result of the issuance and allotment of the Subscription Shares and the Offeror and parties acting in concert with it was interested in a total of 109,613,706 Shares, representing approximately 50.86% of the total issued share capital of the Company.

Assuming that there is no change in the total number of issued Shares from the Latest Practicable Date up to the Closing Date, there would be 105,906,294 Shares not already owned or agreed to be acquired by the Offeror that will be subject to the Share Offer.

The remaining Convertible Notes in the principal amount of HK\$15 million, as issued by the Company pursuant to a sale and purchase agreement dated 3 October 2013 (the “SPA”), are convertible into 1,639,344 new conversion Shares (rounded down). The Convertible Notes were

LETTER FROM DONVEX CAPITAL

issued in favour of the vendor of the SPA (the “Vendor”) as part of the consideration of the SPA. As at the date of this Composite Document, the remaining Convertible Notes are held as to HK\$10 million legally and beneficially by the Vendor, and as to HK\$5 million by an independent third party on trust for the benefit of the Vendor. 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 date of this Composite Document, the litigation is still in progress and no judgment has been made by the Court.

As at the Latest Practicable Date, save for the outstanding Convertible Notes, the Company did not have any other outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Kingston Securities is making the Share Offer for and on behalf of the Offeror which is unconditional in all respects in compliance with the Takeovers Code on the following terms:

The Share Offer

For each Offer Share. HK\$0.10 in cash

The Offer Price of HK\$0.10 per Offer Share under the Share Offer is equal to the Share Subscription Price per Subscription Share paid by the Offeror under the Share Subscription Agreement.

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, 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 despatch of the Composite Document.

The Company confirms that, as at the Latest Practicable Date, (i) it has no outstanding dividend or other distribution which has been declared but not yet paid; and (ii) it does not have any intention to declare any dividend or other distributions during the Offer Period.

LETTER FROM DONVEX CAPITAL

The Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror do not reserve the right to increase the Share Offer Price.

The Convertible Notes Offer

For each HK\$1,000,000 face value of the Convertible Notes HK\$10,929 in cash

The Convertible Notes will be acquired as fully-paid and free from all Encumbrances whatsoever and together with all rights now or hereafter attaching or accruing to them on or after the date on which the Convertible Notes Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, there are outstanding Convertible Notes in the principal amount of HK\$15,000,000 which carry rights to convert into 1,639,344 new conversion Shares (rounded down) in full based on the existing conversion price of HK\$9.15 per conversion share, 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\$10,929 for every HK\$1,000,000 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 1,639,344 new conversion Shares) multiplied by the Share Offer Price of HK\$0.10 per Offer Share, valuing the total Convertible Notes Offer at approximately HK\$163,935.

The Convertible Notes Offer is made by the Offeror in compliance of Rule 13.1 of the Takeovers Code. The Company emphasises that any Convertible Notes Offer made shall not be made or construed to be prejudicial to the Company’s claims and/or counterclaims in any legal actions and procedures against the defendants in the SPA Legal Proceedings (as defined below). For details of the SPA Legal Proceedings, please refer to the section headed “7. Litigation” in Appendix III to this Composite Document.

The Offers are unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or other conditions.

LETTER FROM DONVEX CAPITAL

Comparisons of value

The Share Offer Price of HK\$0.10 per Offer Share represents:

- (i) a premium of approximately 96.08% to the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 96.08% to the average of the closing prices of the Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.051 per Share;
- (iii) a premium of approximately 75.44% to the average of the closing prices of the Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK\$0.057 per Share;
- (iv) a discount of approximately 85.07% to the closing price of HK\$0.670 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 84.13% over the audited consolidated net asset value attributable to the Shareholders as at 31 December 2023 of approximately HK\$0.630 per Share (based on the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 (the date to which the latest audited financial results of the Group were made up) divided by 215,520,000 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of approximately 81.13% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 of approximately HK\$0.530 per Share (based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 (the date to which the latest unaudited financial results of the Group were made up) and divided by 215,520,000 Shares in issue as at the Latest Practicable Date).

Highest and lowest closing Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$0.780 per Share as quoted on the Stock Exchange on 21 October 2024 and the lowest closing price of the Shares was HK\$0.05 per Share as quoted on the Stock Exchange on 19 August 2024.

LETTER FROM DONVEX CAPITAL

Value and total consideration of the Offers

As at the Latest Practicable Date, there are 215,520,000 Shares in issue. Assuming there is no change in the total number of issued Shares, there would be 215,520,000 Shares in issue on the Closing Date.

Assuming that there is no change in the total number of issued Shares

Assuming that there is no change in the total number of issued Shares, the Offeror will be interested in 109,613,706 Shares (representing approximately 50.86% of the entire issued share capital of the Company as at the Latest Practicable Date) and 105,906,294 Shares not already owned or agreed to be acquired by the Offeror and the parties acting in concert with it will be subject to the Share Offer and the consideration of the Share Offer is therefore valued at approximately HK\$10.6 million based on the Share Offer Price and the basis of full acceptance of the Share Offer.

Assuming the Convertible Notes Offer is accepted in full, the consideration of the Convertible Notes Offer is valued at approximately HK\$163,935. As such, the total consideration of the Offers is valued at approximately HK\$10.8 million.

Assuming the Convertible Notes are converted into 1,639,344 new Shares in full and there is no other change in the total number of issued Shares

Assuming the Convertible Notes are converted into 1,639,344 new Shares in full and there is no other change in the total number of issued Shares, there would be 217,159,344 Shares in issue. The Offeror will be interested in 109,613,706 Shares (representing approximately 50.48% of the entire issued share capital of the Company as at the Latest Practicable Date) and 107,545,638 Shares not already owned or agreed to be acquired by the Offeror and the parties acting in concert with it will be subject to the Share Offer. Based on the Offer Price of HK\$0.10 per Offer Share for 107,545,638 Offer Shares, the value of the Share Offer is approximately HK\$10.8 million and no amount shall be payable by the Offeror under the Convertible Notes Offer. As such, the total consideration of the Offers is valued at approximately HK\$10.8 million.

Confirmation of sufficient financial resources

The Offeror intends to finance the consideration for the Offers by its own internal resources. Donvex Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Share Offer in respect of 105,906,294 Offer Shares and the Convertible Notes Offer.

LETTER FROM DONVEX CAPITAL

Effect of accepting the Offers

By accepting the Share Offer, provided that valid acceptance forms and the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the branch share registrar of the Company in Hong Kong, the Shareholders will sell their tendered Shares to the Offeror free from all liens, claims, charges, options, equities, adverse interests, third party rights or 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 despatch of 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. Details of the terms and conditions of the Convertible Notes are set out in the circular of the Company dated 31 March 2014. Pursuant to the terms and conditions of the Convertible Notes, the Convertible Notes may not be transferred to a connected person of the Company without the prior written consent of the Company. It is the Company's intention to grant the consent to the Convertible Noteholders to transfer the Convertible Notes to the Offeror in the event the Convertible Noteholders accept the Convertible Notes Offer. Save for the above, the Offeror and the Company are not aware of any terms and conditions that may affect the acceptance of the Convertible Notes Offer by the Convertible Noteholders.

Acceptance of the Offers will be governed and construed in accordance with all the applicable laws and regulations of all relevant jurisdictions in connection therewith. The Shareholders and Convertible Noteholders shall fully observe the applicable laws and regulations, and tender acceptances that are valid and binding, and as permitted under the applicable laws and regulations.

As at the Latest Practicable Date, no dividend and other distribution has been paid or declared by the Company and it is advised by the Board that no dividend and other distribution is expected to be paid or declared during the Offer Period. Acceptance of the Offers will be irrevocable and not be capable of being withdrawn except with the consent of the Executive.

Shareholders are reminded to read the recommendations of the Takeovers Code Independent Board Committee and the advice of the Independent Financial Adviser appointed by the Takeovers Code Independent Board Committee in respect of the Offers which are included in this Composite Document.

LETTER FROM DONVEX CAPITAL

Payment

Payment in cash in respect of acceptances of the Offers will be made pursuant to Rule 20.1 of the Takeovers Code as soon as possible but in any event no later than seven (7) Business Days following the date on which the duly completed acceptance forms of the Offers and the relevant documents of title of the Offer Shares or the Convertible Notes in respect of such acceptance are received by the Offeror to render such acceptance complete and valid pursuant to Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent (HK\$) will be payable and the amount of the consideration payable to a Shareholder or a Convertible Noteholder who accepts the Offers will be rounded up to the nearest cent (HK\$).

Stamp duty

The seller's Hong Kong ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the higher of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer.

The seller's Hong Kong ad valorem stamp duty (if any) payable by the Noteholders who accept the Convertible Notes Offer and calculated at a rate of 0.1% of the higher of (i) the market value of the Convertible Notes; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Convertible Notes Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Convertible Notes Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders and the Convertible Noteholders who accept the Offers and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offers and the transfers of the Offer Shares or the Convertible Notes in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation advice

Shareholders and the Convertible Noteholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Donvex Capital, or any of their respective ultimate

LETTER FROM DONVEX CAPITAL

beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Independent Shareholders and Overseas Convertible Noteholders

The Offeror intends to make the Offers available to all Independent Shareholders and all Convertible Noteholders, including those with a registered address in a jurisdiction outside Hong Kong. The availability of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws and regulations of the relevant jurisdiction. Overseas Shareholders and overseas Convertible Noteholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements or restrictions in their own jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and overseas Convertible Noteholders in respect of such jurisdictions).

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

As at the Latest Practicable Date, the Company has identified more than 500 Overseas Independent Shareholders with registered address in Singapore and 1 overseas Convertible Noteholder with registered address in the PRC. It is the intention of the Offeror and the Company to despatch the composite document in relation to the Offers to Overseas Independent Shareholders and overseas Convertible Noteholders.

Procedures for acceptance and settlement

Your attention is drawn to “Further terms and procedures of acceptance of the Offers” as set out in Appendix I “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document and the accompanying Forms of Acceptance.

LETTER FROM DONVEX CAPITAL

INFORMATION ON THE PARTIES

Information on the Offeror

The Offeror is primarily engaged in investment holding and is a controlling shareholder of the Company which beneficially owns 109,613,706 Shares, representing approximately 50.86% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Chim is the sole legal and beneficial shareholder and the sole director of the Offeror.

Mr. Chim, aged 78, was a member of the Legislative Council of Hong Kong, representing the Financial Services Functional Constituency, for the period from 1991 to 1998 and from 2004 to 2012. Mr. Chim does not have any experience in managing the business of the Group. As stated in the section headed “Proposed Change of Board Composition”, the Offeror has no intention to make any change to the composition of the Board as at the Latest Practicable Date, and Mr. Chim has no intention to participate in the business management of the Group. In the past years, he had been the directors of various companies listed on the main board of Stock Exchange. Mr. Chim was a Director of Hing Yip Holdings Limited (formerly known as “China Investments Holdings Limited”) (stock code: 0132) from 1989 to 1990; Managing Director of Goldin Properties Holdings Limited (formerly known as “Wai Yick Investment Company Limited”) (stock code: 0283) from 1990 to 1991; Chairman of SMI Holdings Group Limited (formerly known as “Lucky Man Holdings Limited”) (stock code: 0198) from 1994 to 1995; Chairman of Grand Field Group Holdings Limited (stock code: 0115) from 1994 to 1996; and Chairman and Executive Director of Rich Goldman Holdings Limited (formerly known as “Mandarin Resources Corporation Limited”) (stock code: 0070) from 1994 to 1996.

As at the Latest Practicable Date, Mr. Chim is the sole shareholder of the Offeror and is therefore interested in the 109,613,706 Shares of the Company owned by the Offeror, which represented approximately 50.86% 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).

Information on the Group

Your attention is drawn to the paragraphs headed “Information on the Group” in the “Letter from the Board”, Appendix II “Financial Information of the Group” and Appendix III “General Information of the Group” to this Composite Document.

LETTER FROM DONVEX CAPITAL

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Pursuant to a sale and purchase agreement dated 6 September 2024 entered into between Mr. Chim and Mr. Chim Sai Yau Oscar, the grandchild of Mr. Chim, the entire issued shareholding in the Offeror was transferred from Mr. Chim Sai Yau Oscar to Mr. Chim, as it is the intention of Mr. Chim to provide assistance to his grandchild through the acquisition of the entire issued shareholding in the Offeror. In addition, Mr. Chim is optimistic about the future prospects of the Company and the business of the manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products in the PRC. Accordingly, Mr. Chim considers the investment in the Company through the Offeror represents an opportunity to diversify his investment portfolio. As such, Mr. Chim, through the Offeror, conducted the Share Subscription and CB Subscription to replenish the working capital of the Company. The Share Subscription and the CB Subscription affirmed the Offeror's confidence and commitment to the Company.

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 piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products in the PRC.

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 Latest Practicable Date, the Offeror has no intention or 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.

LETTER FROM DONVEX CAPITAL

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises one executive Director, namely 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. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan.

The Offeror did not propose to nominate any new Directors to the Board. Mr. Chim will not become a Director after completion of the Offers. Meanwhile, the Offeror has no intention to make any change to the composition of the Board as at the Latest Practicable Date.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

The Stock Exchange has stated that if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares (excluding treasury 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 intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror had 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.

LETTER FROM DONVEX CAPITAL

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

As at the Latest Practicable Date:

- (i) save for the Share Subscription Agreement and the CB Subscription Agreement, and excluding the 109,613,706 Shares and the Convertible Bonds already owned by the Offeror and parties acting in concert with it, none of the Offeror and parties acting in concert with it and the sole director of the Offeror has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares during the period commencing six months preceding the date of the joint announcement and up to the Latest Practicable Date;
- (ii) save for the 109,613,706 Shares and the Convertible Bonds already owned by the Offeror and parties acting in concert with it, none of the Offeror and parties acting in concert with it holds, owns or has control or direction over any voting rights or rights over Shares or convertible securities, warrants, options or derivatives of the Company;
- (iii) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) save for the Share Subscription Agreement and the CB Subscription Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares;
- (v) save for the Share Subscription Agreement, there is no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Offers;
- (vi) none of the Offeror and parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offers;
- (vii) other than the consideration paid by the Offeror to the Company under the Share Subscription Agreement and the CB Subscription Agreement, there is no other consideration, compensation or benefits paid by or to be paid by the Offeror and parties acting in concert with it;

LETTER FROM DONVEX CAPITAL

- (viii) save for the Share Subscription Agreement and the CB Subscription Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on the one hand, and the Company, its subsidiaries and any parties acting in concert with any of them on the other hand;
- (ix) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on the one hand, and the Shareholders on the other hand;
- (x) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and any party acting in concert with it, or (b) the Company, its subsidiaries or associated companies;
- (xi) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons; and
- (xii) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between any of the Offeror or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence of the Offers.

ACCEPTANCE AND SETTLEMENT OF THE OFFERS

Your attention is drawn to the details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document and the accompanying Forms of Acceptance.

COMPULSORY ACQUISITION

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

GENERAL

To ensure equality of treatment of all Independent Shareholders and Convertible Noteholders, those Independent Shareholders and/or Convertible Noteholders who hold Shares and/or Convertible Bonds as nominees on behalf of more than one beneficial owner should, as far as

LETTER FROM DONVEX CAPITAL

practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Offer Shares and/or Convertible Notes whose investments are registered in the names of nominees, to accept the Offers, it is essential that they provide instructions of their intentions with regard to the Offers to their nominees.

The attention of the Independent Shareholders and Convertible Noteholders residing outside Hong Kong is drawn to paragraph “8. Overseas Shareholders and Overseas Convertible Noteholders” in Appendix I “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document. This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

All documents and remittances to be sent to the Independent Shareholders and the Convertible Noteholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Convertible Noteholders at their respective addresses as they appear in the registers of the members of the Company and in the case of joint holders, to such holder whose name appears first in the relevant registers. None of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Donvex Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith. Further details have been set out in Appendix I “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document and in the Forms of Acceptance.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. In addition, your attention is drawn to the “Letter from the Board”, the “Letter from the Takeovers Code Independent Board Committee”, and the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Sy Wai Shuen
Director

LETTER FROM THE BOARD



SUNWAY INTERNATIONAL HOLDINGS LIMITED

新威國際控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 58)

Executive Director:

Mr. Law Chun Choi

Non-executive Director:

Mr. Lum Pak Sum

Independent non-executive Directors:

Mr. Choi Pun Lap

Mr. Yu Shun Sang Bernard

Mr. Wong Yue Kwan Alan

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

3/F, Mandarin Commercial House

38 Morrison Hill Road

Wanchai, Hong Kong

6 December 2024

To the Independent Shareholders and the Convertible Noteholders

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
WEALTHY PORT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
AND ALL 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)**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Joint Announcement and the circular of the Company dated 30 October 2024 in relation to the subscription of new Shares under specific mandate in connection with the Share Subscription Agreement.

Upon the Share Subscription Completion and the CB Subscription Completion, the Offeror and parties acting in concert with it are interested in (i) 109,613,706 Shares, representing approximately 50.86% of the entire issued share capital of the Company as at the Latest Practicable Date; and (ii) the Convertible Bonds which are convertible into 300,000,000 new conversion Shares at the initial conversion price of HK\$0.10 per conversion Share.

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, upon the Share Subscription Completion, the Offeror and the parties acting in concert with it is required to make a mandatory unconditional 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).

Kingston Securities is making the Offers for and on behalf of the Offeror in accordance with the Takeovers Code. Details of the Offers are set out in the “Letter from Donvex Capital” of this Composite Document.

This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the letter from the Board as well as the letter from the Takeovers Code Independent Board Committee and the letter from the Independent Financial Adviser in respect of the Offers, as contained in this Composite Document.

The Independent Financial Adviser has been appointed by the Company pursuant to Rule 2.1 of the Takeovers Code and such appointment has been approved by the Takeovers Code Independent Board Committee to advise the Takeovers Code Independent Board Committee in respect of the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers.

The purpose of this Composite Document is to, among other things, (i) provide you with information relating to the Group and the Offers; (ii) set out the letter from the Takeovers Code Independent Board Committee containing its recommendation to the Independent Shareholders on the Share Offer and the Convertible Noteholders on the Convertible Notes Offer and as to

LETTER FROM THE BOARD

acceptance; and (iii) set out the letter from the Independent Financial Adviser containing its advice to the Takeovers Code Independent Board Committee in relation to the Offers and as to acceptance.

The Offer

Kingston Securities is making the Share Offer for and on behalf of the Offeror which is unconditional in all respects in compliance with the Takeovers Code on the following terms:

The Share Offer

For each Offer Share. HK\$0.10 in cash

The Offer Price of HK\$0.10 per Offer Share under the Share Offer is equal to the Share Subscription Price per Subscription Share paid by the Offeror under the Share Subscription Agreement.

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, 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 despatch of this Composite Document.

The Company confirms that, as at the Latest Practicable Date, (i) it has no outstanding dividend or other distribution which has been declared but not yet paid; and (ii) it does not have any intention to declare any dividend or other distributions during the Offer Period.

The Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror do not reserve the right to increase the Share Offer Price.

The Convertible Notes Offer

For each HK\$1,000,000 face value of the Convertible Notes HK\$10,929 in cash

The Convertible Notes will be acquired as fully-paid and free from all Encumbrances whatsoever and together with all rights now or hereafter attaching or accruing to them on or after the date on which the Convertible Notes Offer is made, being the date of despatch of this Composite Document.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there are outstanding Convertible Notes in the principal amount of HK\$15,000,000 which carry rights to convert into 1,639,344 new conversion Shares (rounded down) in full based on the existing conversion price of HK\$9.15 per conversion share, 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\$10,929 for every HK\$1,000,000 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 1,639,344 new conversion Shares) multiplied by the Share Offer Price of HK\$0.10 per Offer Share, valuing the total Convertible Notes Offer at approximately HK\$163,935.

The Convertible Notes Offer is made by the Offeror in compliance of Rule 13.1 of the Takeovers Code. The Company emphasises that any Convertible Notes Offer made shall not be made or construed to be prejudicial to the Company’s claims and/or counterclaims in any legal actions and procedures against the defendants in the SPA Legal Proceedings (as defined below). For details of the SPA Legal Proceedings, please refer to the section headed “7. Litigation” in Appendix III to this Composite Document.

The Offers are unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or other conditions.

INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraphs headed “Information on the Offeror” in the “Letter from Donvex Capital” and Appendix IV “General Information of the Offeror” to this Composite Document.

INFORMATION ON THE GROUP

The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products in the PRC. The products are sold to customers located in Yangjiang City and its surrounding cities in the Guangdong Province in the PRC.

Further financial information in relation to the Group is set out in the Appendix II to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) immediately prior to the Share Subscription Completion; (ii) immediately after the Share Subscription Completion and as at the Latest Practicable Date; (iii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming no changes to the number of issued Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds); and (iv) immediately after full conversion of the Convertible Bonds at the initial Conversion Price and the full conversion of the Convertible Notes (assuming no changes to the number of issued Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds and Convertible Notes) are as follows:

	Immediately prior to the Share Subscription Completion		Immediately after the Share Subscription Completion and as at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming no changes to the number of issued Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds)		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price and the full conversion of the Convertible Notes (assuming no changes to the number of issued Shares from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds and Convertible Notes)	
	Approximate % of issued		Approximate % of issued		Approximate % of issued		Approximate % of issued	
	Number of Shares	Shares (Note 6)	Number of Shares	Shares (Note 6)	Number of Shares	Shares (Note 6)	Number of Shares	Shares (Note 6)
The Offeror and parties acting in concert with it								
The Offeror (Note 1)	73,693,706	41.03%	109,613,706	50.86%	409,613,706	79.46%	409,613,706	79.20%
Other Shareholders								
Business Century Investments Limited (Note 2)	12,873,166	7.17%	12,873,166	5.97%	12,873,166	2.50%	12,873,166	2.49%
Everun Oil Co., Limited (Note 3)	17,316,200	9.64%	17,316,200	8.03%	17,316,200	3.36%	17,316,200	3.35%
The Convertible Noteholders	—	—	—	—	—	—	1,639,344	0.32%
Other public Shareholders	75,716,928	42.16%	75,716,928	35.14%	75,716,928	14.68%	75,716,928	14.64%
Total	179,600,000	100.00%	215,520,000	100.00%	515,520,000	100.00%	517,159,344	100.00%

LETTER FROM THE BOARD

Notes:

1. The 109,613,706 Shares are beneficially held by the Offeror. Pursuant to a sale and purchase agreement dated 6 September 2024 entered into between Mr. Chim and Mr. Chim Sai Yau Oscar, the entire issued shareholding in the Offeror was transferred from Mr. Chim Sai Yau Oscar to Mr. Chim on 6 September 2024. As Mr. Chim is the legal and beneficial owner of all issued shares of the Offeror as at the Latest Practicable Date, Mr. Chim is deemed to be interested in all the Shares held by the Subscriber by virtue of Part XV of the SFO. Mr. Chim Sai Yau Oscar, a grandchild of Mr. Chim, being a party acting in concert with Mr. Chim pursuant to a concert party agreement dated 6 September 2024 entered into between them, is also deemed to be interested in all the Shares held by the Subscriber by virtue of Part XV of the SFO.
2. The 12,873,166 Shares are beneficially held by Business Century Investments Limited. As Ms. Xie Guilin is the legal and beneficial owner of all issued shares of Business Century Investments Limited, Ms. Xie Guilin is deemed to be interested in all the Shares held by Business Century Investments Limited by virtue of Part XV of the SFO.
3. The 17,316,200 Shares are beneficially held by Everun Oil Co., Limited. As Mr. Chen Jingan is the legal and beneficial owner of all issued shares of Everun Oil Co., Limited, Mr. Chen Jingan is deemed to be interested in all the Shares held by Everun Oil Co., Limited by virtue of Part XV of the SFO.
4. This column is shown for illustration purposes only, under the terms of the Convertible Bonds, the exercise of the conversion rights attached to the Convertible Bonds shall not cause the Company to be unable to meet the public float requirements under the Listing Rules.
5. This column is shown for illustration purpose only. The Company emphasizes the illustration in the table above in relation to the full conversion of the Convertible Notes shall not be made or construed to be prejudicial to the Company's claims and/or counterclaims in any legal actions and procedures against the defendants of the SPA Legal Proceedings (as defined below). For details of the SPA Legal Proceedings, please refer to the section headed "7. Litigation" in Appendix III to this Composite Document.
6. Percentage figures may not add up to 100 per cent due to rounding.

As at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares or other relevant securities of the Company.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed "Letter from Donvex Capital — Intention of the Offeror in relation to the Group" in this Composite Document.

The Board is aware of the Offeror's intentions in relation to the Group and its employees as set out in the section headed "Letter from Donvex Capital — Intention of the Offeror in relation to the Group" in this Composite Document. The Board is pleased to note that the Offeror intends to continue to run the existing principal business of the Group and the employment of the employees. The Board is willing to render reasonable co-operation with the Offeror and continue to act in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises one executive Director, namely 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. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan.

As disclosed in the “Letter from Donvex Capital”, The Offeror did not propose to nominate any new Directors to the Board. Mr. Chim will not become a Director after completion of the Offers. Meanwhile, the Offeror has no intention to make any change to the composition of the Board as at the Latest Practicable Date.

MAINTAINING THE LISTING STATUS OF THE COMPANY

As disclosed 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.

The Stock Exchange has stated that if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares (excluding treasury 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.

As disclosed in the “Letter from Donvex Capital”, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of 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.

Takeovers Code Independent Board Committee and Independent Financial Adviser

The Takeovers Code Independent Board Committee which comprises all the non-executive Directors who have no direct or indirect interest in the Offers, comprising one non-executive Director, namely, Mr. Lum Pak Sum, and three independent non-executive Directors, namely, Mr.

LETTER FROM THE BOARD

Choi Pun Lap, Mr. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan, has been established to advise the Independent Shareholders and the Convertible Noteholders in respect of the Offers as to whether the terms of the Offers are fair and reasonable and as to their acceptance.

The Independent Financial Adviser has been appointed by the Company pursuant to Rule 2.1 of the Takeovers Code and such appointment has been approved by the Takeovers Code Independent Board Committee to advise the Takeovers Code Independent Board Committee in respect of the Offers and in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers.

Your attention is drawn to (i) the “Letter from the Takeovers Code Independent Board Committee” as set out on pages 31 to 33 of this Composite Document which contains its recommendations to the Independent Shareholders and the Convertible Noteholders as to whether the Offers are fair and reasonable and as to the acceptance of the Offers; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 34 to 70 of this Composite Document which contains its advice to the Takeovers Code Independent Board Committee in respect of the Offers and the principal factors considered by it in arriving at its advice.

LETTER FROM THE BOARD

Additional Information

Your attention is drawn to the additional information contained in the appendices to this Composite Document. Further details on the terms and the procedures for acceptance of the Offers are set out in Appendix I “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document and the accompanying Forms of Acceptance. You are also recommended to read carefully the Forms of Acceptance for further details in respect of the procedures for acceptance of the Offers.

By Order of the Board
SUNWAY INTERNATIONAL HOLDINGS LIMITED
Law Chun Choi
Executive Director and Company Secretary

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Takeovers Code Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.



SUNWAY INTERNATIONAL HOLDINGS LIMITED

新威國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 58)

6 December 2024

To the Independent Shareholders and the Convertible Noteholders

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
WEALTHY PORT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
AND ALL 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 the composite offer and response document (the “**Composite Document**”) dated 6 December 2024 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Takeovers Code Independent Board Committee to consider the terms of the Offers and to advise the Independent Shareholders and the Convertible Noteholders as to, in our opinion, whether or not the terms of the Offers are fair and

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

reasonable so far as the Independent Shareholders and the Convertible Noteholders are concerned and to make recommendation as to acceptance of the Offers after taking into account the advice from the Independent Financial Adviser.

Dakin Capital Limited has been appointed with our approval as the Independent Financial Adviser to advise us in respect of the Offers and as to acceptance thereof. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” in the Composite Document.

We also wish to draw your attention to the “Letter from Donvex Capital”, the “Letter from the Board” and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and the acceptance and settlement procedures for the Offers.

We, being the members of the Takeovers Code Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offers and are therefore able to consider the terms of the Offers and to make recommendations to the Independent Shareholders and the Convertible Noteholders.

RECOMMENDATIONS

The Share Offer

Taking into account the terms of the Share Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Share Offer.

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

The Convertible Notes Offer

Taking into account the terms of the Convertible Notes Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the Convertible Notes Offer is fair and reasonable so far as the Convertible Noteholders are concerned and recommend the Convertible Noteholders to accept the Convertible Notes Offer.

Yours faithfully,

For and on behalf of the Takeovers Code Independent Board Committee

Mr. Lum Pak Sum

Non-executive Director

Mr. Choi Pun Lap

Mr. Yu Shui Sang Bernard

Mr. Wong Yue Kwan Alan

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Dakin Capital Limited, the independent financial adviser to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Convertible Noteholders in respect of the Offers prepared for the purpose of inclusion in this Composite Document.



6 December 2024

*To: the Takeovers Code Independent Board Committee,
the Independent Shareholders and
the Convertible Noteholders of
Sunway International Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
WEALTHY PORT HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
AND ALL 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 the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, and the Independent Shareholders and the Convertible Noteholders in respect of the Offers, details of which are set out in the Composite Document jointly issued by the Offeror and the Company to the Independent Shareholders dated 6 December 2024, of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the Joint Announcement and the circular of the Company dated 31 October 2024 in relation to the subscription of new Shares under specific mandate in connection with the Share Subscription Agreement. According to the joint announcement of the Offeror and the Company dated 29 November 2024, after the Share Subscription Completion, the Offeror and parties acting in concert with it are interested in 109,613,706 Shares, representing approximately 50.86% of the issued Shares as at the Latest Practicable Date.

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, after the Share Subscription Completion, the Offeror and the parties acting in concert with it is required to make a mandatory unconditional 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).

Kingston Securities is making (i) the Share Offer at the offer price of HK\$0.10 per Offer Share in cash on behalf of the Offeror in accordance with the Takeovers Code; and (ii) the Convertible Notes Offer at the offer price of HK\$10,929 for every HK\$1,000,000 nominal value of the Convertible Notes in cash on behalf of the Offeror in accordance with the Takeovers Code.

TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

The Takeovers Code Independent Board Committee, comprising all the four non-executive Directors, namely Mr. Lum Pak Sum, Mr. Choi Pun Lap, Mr. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan, has been formed in accordance with the Takeovers Code to advise the Independent Shareholders on whether the Offers are fair and reasonable, and as to acceptance of the Offers.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, and the Independent Shareholders and the Convertible Noteholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Takeovers Code Independent Board Committee. During the past two years immediately preceding the date of the Joint Announcement and including and up to the Latest Practicable Date, we have issued a letter of advice as an independent financial adviser dated 31 October 2024 in respect of connected transactions of the Company. Save for the above engagement and this appointment as the Independent Financial Adviser in respect of the Offers, there were no other engagements between the Company and us during the past two years immediately preceding the date of the Joint Announcement and including and up to the Latest Practicable Date. We are independent from, and are not associated with the Company, the Offeror, or any party acting, or presumed to be acting, in concert with any of the above, or any company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

controlled by any 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, the Independent Shareholders and the Convertible Noteholders, no other arrangements exist whereby we will receive any fees and/or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as relevant to our independence. Accordingly, we are considered eligible to give independent advice in respect of the Offers to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Convertible Noteholders in accordance with the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Convertible Noteholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Directors, the director of the Offeror and the management of the Company. We have assumed that all statements, information and representations provided by the Directors, the director of the Offeror and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors, the director of the Offeror and the management of the Company in this 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 this Composite Document, or the reasonableness of the opinions expressed by the Directors, the director of the Offeror and the management of the Company and/or its advisers, which have been provided to us. The Company will notify the Independent Shareholders and the Convertible Noteholders of any material change to information contained in or referred to in the Composite Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders and Convertible Noteholders will also be informed as soon as possible when there is any material change to information contained in or referred to herein as well as any changes to our opinion, if any, after the Latest Practicable Date.

Your attention is drawn to the responsibility statements as set out in the paragraph headed “1. Responsibility statements” under the section headed “Appendix III General information of the Group” in this Composite Document. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL TERMS OF THE OFFERS

1. The Offers

Kingston Securities is making the Offers for and on behalf of the Offeror which is unconditional in all respects in compliance with the Takeovers Code on the following terms:

The Share Offer

For each Offer Share HK\$0.10 in cash

The Share Offer Price of HK\$0.10 per Offer Share under the Share Offer is equal to the Share Subscription Price per Subscription Share paid by the Offeror under the Share Subscription Agreement.

The Share Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, 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 despatch of this Composite Document.

The Company confirms that, as at the Latest Practicable Date, (i) it has no outstanding dividend or other distribution which has been declared but not yet paid; and (ii) it does not have any intention to declare any dividend or other distributions during the Offer Period.

The Offeror will not increase the Share Offer Price as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror do not reserve the right to increase the Share Offer Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Convertible Notes Offer

For each HK\$1,000,000 face value of the Convertible Notes HK\$10,929 in cash

The Convertible Notes will be acquired as fully-paid and free from all Encumbrances whatsoever and together with all rights now or hereafter attaching or accruing to them on or after the date on which the Convertible Notes Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, there are outstanding Convertible Notes in the principal amount of HK\$15,000,000 which carry rights to convert into 1,639,344 new conversion shares (rounded down) in full based on the existing conversion price of HK\$9.15 per conversion share, 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\$10,929 for every HK\$1,000,000 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 1,639,344 new conversion Shares) multiplied by the Share Offer Price of HK\$0.10 per Offer Share, valuing the total Convertible Notes Offer at approximately HK\$163,935.

The Convertible Notes Offer is made by the Offeror in compliance with Rule 13.1 of the Takeovers Code. The Company emphasises that any Convertible Notes Offer made shall not be made or construed to be prejudicial to the Company’s claims and/or counterclaims in any legal actions and procedures against the defendants in the SPA (as defined below) legal proceedings. For details of the SPA legal proceedings, please refer to the paragraph headed “7. Litigation” under the section headed “Appendix III General information of the Group” in this Composite Document.

The Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Offer Shares or other conditions.

2. Value and total consideration of the Offers

As at the Latest Practicable Date, there are 215,520,000 Shares in issue. Assuming there is no change in the total number of issued Shares, there would be 215,520,000 Shares in issue on the Closing Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming that there is no change in the total number of issued Shares

Assuming that there is no change in the total number of issued Shares, the Offeror will be interested in 109,613,706 Shares (representing approximately 50.86% of the issued Shares as at the Latest Practicable Date) and 105,906,294 Shares not already owned or agreed to be acquired by the Offeror and the parties acting in concert with it will be subject to the Share Offer and the consideration of the Share Offer is therefore valued at approximately HK\$10.6 million based on the Share Offer Price and the basis of full acceptance of the Share Offer.

Assuming the Convertible Notes Offer is accepted in full, the consideration of the Convertible Notes Offer is valued at approximately HK\$163,935. As such, the total consideration of the Offers is valued at approximately HK\$10.8 million.

Assuming the Convertible Notes are converted into 1,639,344 new Shares in full and there is no other change in the total number of issued Shares

Assuming the Convertible Notes are converted into 1,639,344 new Shares in full and there is no other change in the total number of issued Shares, there would be 217,159,344 Shares in issue. The Offeror will be interested in 109,613,706 Shares (representing approximately 50.48% of the issued Shares as at the Latest Practicable Date) and 107,545,638 Shares not already owned or agreed to be acquired by the Offeror and the parties acting in concert with it will be subject to the Share Offer. Based on the Offer Price of HK\$0.10 per Offer Share for 107,545,638 Offer Shares, the value of the Share Offer is approximately HK\$10.8 million and no amount shall be payable by the Offeror under the Convertible Notes Offer. As such, the total consideration of the Offers is valued at approximately HK\$10.8 million.

3. Confirmation of sufficient financial resources for the Offers

The Offeror intends to finance the consideration for the Offers by its own internal resources. Donvex Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Share Offer in respect of 105,906,294 Offer Shares and the Convertible Notes Offer.

PRINCIPAL FACTORS AND REASONS TAKEN INTO CONSIDERATION ON THE OFFERS

In assessing the Offers and in giving our advice to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Convertible Noteholders, we have taken into consideration the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BACKGROUND OF THE OFFEROR AND THE GROUP

1. Background and financial information of the Group

The Group is 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-permeable concrete products. The products are mainly sold to customers located in Yangjiang City and other customers in its surrounding cities in the Guangdong Province in the PRC.

The table below summarises the general financial information of the Group (i) for the financial years ended 31 December 2022 and 2023 which are extracted from the Company's annual report for the year ended 31 December 2023 (the "Annual Report"); and (ii) for the six months ended 30 June 2023 and 2024 which are extracted from the Company's interim report for the six months ended 30 June 2024 (the "Interim Report").

Summary of the consolidated financial results of the Group

	For the year ended 31 December 2022 (audited) HK\$'000	For the year ended 31 December 2023 (audited) HK\$'000	For the six months ended 30 June 2023 (unaudited) HK\$'000	For the six months ended 30 June 2024 (unaudited) HK\$'000
Revenue	451,115	246,531	115,611	100,511
Gross profit	105,597	37,556	17,436	16,811
Loss before tax	(52,580)	(63,887)	(19,982)	(24,459)
Loss for the year/period	(45,384)	(64,262)	(18,921)	(19,099)

Financial performance for the year ended 31 December 2022 ("FY2022") and 31 December 2023 ("FY2023")

The Group's total revenue for FY2023 decreased by approximately HK\$204.6 million, or approximately 45.4% from approximately HK\$451.1 million in FY2022 to approximately HK\$246.5 million in FY2023. The Group's gross profit decreased from approximately HK\$105.6 million for FY2022 to approximately HK\$37.6 million for FY2023, representing a decrease of approximately 64.4%. As stated in the Annual Report and according to the Directors, such decrease

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the Group's total revenue and gross profit for FY2023 were mainly due to the slumping property market and related business sectors in the PRC, resulting in the decrease in number of construction projects and demand for the concrete materials.

The Group's loss for the year widened from approximately HK\$45.4 million for FY2022 to approximately HK\$64.3 million for FY2023. Pursuant to the Annual Report and according to the Directors, such widen in loss for the year was mainly due to (i) the decrease in revenue by approximately 45.4% as well as the decrease in gross profit caused by the decrease in number of construction projects and demand for the concrete materials; and (ii) the outstanding goodwill of approximately HK\$19.9 million, relating to the Group's manufacturing and trading business in the PRC, was impaired during FY2023. As stated in the Annual Report, as at 31 December 2023, the Group's performed impairment assessment on the Group's cash generating unit — Guangdong Hengjia Building Materials Co., Ltd.* (廣東恆佳建材股份有限公司), a subsidiary which operates the Group's piles and other product businesses (the "CGU"). According to the Directors, such recognition of impairment loss on goodwill during FY2023 was due to the estimation of cash flow of the CGU which includes budgeted sales and gross margin are out of the management of the Company's expectations for the market development. For details of the basis of recoverable amounts of the CGU and the major underlying assumptions in determining the impairment loss on goodwill, please refer to note 19 goodwill of notes to the consolidated financial statements for the year ended 31 December 2023 of the Annual Report.

Financial performance for the six months ended 30 June 2023 ("IR2023") and 30 June 2024 ("IR2024")

The Group's total revenue decreased from approximately HK\$115.6 million for IR2023 to approximately HK\$100.5 million for IR2024, representing a decrease of approximately 13.1%. The Group's gross profit decreased from approximately HK\$17.4 million for IR2023 to approximately HK\$16.8 million for IR2024, representing a decrease of approximately 3.6%. Pursuant to the Interim Report, such decrease in the Group's total revenue and gross profit for IR2024 was mainly driven by the weakening of property and construction market.

The Group's loss for the period widened from approximately HK\$18.9 million for IR2023 to approximately HK\$19.1 million for IR2024. According to the Interim Report and the management of the Company, such widen in loss for the period was mainly due to the combined effect of (i) the decrease in revenue and gross profit driven by the weakening of property and construction market, resulting in the decrease in number of construction projects and demand for the concrete materials; and (ii) the increase in other losses, net from approximately HK\$1.4 million for IR2023 to approximately HK\$9.3 million for IR2024, mainly driven by the increase in loss on disposal of property, plant and equipment (due to the compliance with the environmental requirements, part of the production facilities have to be relocated or re-arranged and this gives rise to a loss on disposal of property, plant and equipment) from approximately HK\$0.6 million for IR2023 to

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approximately HK\$8.6 million for IR2024; and partially offset by (1) the decrease in selling and distribution expenses from approximately HK\$23.3 million for IR2023 to approximately HK\$20.9 million for IR2024; (2) the decrease in administrative expenses from approximately HK\$11.9 million for IR2023 to approximately HK\$9.9 million for IR2024; and (3) the increase in income tax credit from approximately HK\$1.1 million for IR2023 to approximately HK\$5.4 million for IR2024.

Summary of the consolidated financial positions of the Group

	As at 31 December 2022 (audited) HK\$'000	As at 31 December 2023 (audited) HK\$'000	As at 30 June 2024 (unaudited) HK\$'000
Property, plant and equipment	116,112	102,427	87,390
Right-of-use assets	36,177	32,283	30,843
Goodwill	19,941	—	—
Deferred tax assets	2,516	—	—
	<u>174,746</u>	<u>134,710</u>	<u>118,233</u>
Non-current assets			
Inventories	21,852	9,688	13,045
Trade, bill and loan receivables	160,261	108,172	114,463
Prepayment, deposits and other receivables	43,336	50,619	67,546
Restricted bank deposits	15	—	—
Cash and cash equivalents	9,327	27,749	7,344
	<u>234,791</u>	<u>196,228</u>	<u>202,398</u>
Current assets			
Total assets	<u><u>409,537</u></u>	<u><u>330,938</u></u>	<u><u>320,631</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2022 (audited) HK\$'000	As at 31 December 2023 (audited) HK\$'000	As at 30 June 2024 (unaudited) HK\$'000
Lease liabilities	1,878	1,627	1,492
Interest-bearing borrowings	9,558	3,000	20,997
Non-current liabilities	11,436	4,627	22,489
Trade payables	99,065	81,268	45,753
Accruals and other payables	51,571	63,544	93,881
Contract liabilities	4,059	4,818	3,929
Lease liabilities	172	193	198
Amount due to non-controlling interests	491	476	466
Amount due to shareholder	13,677	18,677	20,677
Interest-bearing borrowings	18,035	15,511	18,197
Tax payables	7,596	6,150	726
Current liabilities	194,666	190,637	183,827
Total liabilities	206,102	195,264	206,316
Net assets	203,435	135,674	114,315

Financial position as at 31 December 2023

The Group's total assets decreased from approximately HK\$409.5 million as at 31 December 2022 to approximately HK\$330.9 million as at 31 December 2023. As advised by the Directors, such decrease in total assets was mainly due to the combined effect of (i) the decrease in inventories from approximately HK\$21.9 million as at 31 December 2022 to approximately HK\$9.7 million as at 31 December 2023, mainly due to the decrease in production of the concrete materials; (ii) the decrease in trade, bill and loan receivables from approximately HK\$160.3 million as at 31 December 2022 to approximately HK\$108.2 million as at 31 December 2023, mainly due to the decrease in the Group's revenue as analysed above in this paragraph, resulting in less trade, bill and loan receivables recognised as at 31 December 2023; and (iii) the decrease in goodwill from approximately HK\$19.9 million as at 31 December 2022 to nil as at 31 December 2023; and partially offset by the increase in cash and cash equivalents from approximately HK\$9.3

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million as at 31 December 2022 to approximately HK\$27.7 million as at 31 December 2023. As at 31 December 2023, the Group's total assets mainly comprised trade, bill and loan receivables of approximately HK\$108.2 million, property, plant and equipment of approximately HK\$102.4 million and prepayment, deposits and other receivables of approximately HK\$50.6 million.

The Group's total liabilities decreased from approximately HK\$206.1 million as at 31 December 2022 to approximately HK\$195.3 million as at 31 December 2023. As advised by the Directors, such decrease in total liabilities was mainly due to the combined effect of (i) the decrease in trade payables from approximately HK\$99.1 million as at 31 December 2022 to approximately HK\$81.3 million as at 31 December 2023, mainly due to the decrease in the Group's cost of sales from approximately HK\$345.5 million for FY2022 to approximately HK\$209.0 million for FY2023, resulting in less trade payables recognised as at 31 December 2023; and (ii) the decrease in interest-bearing borrowings from approximately HK\$27.6 million as at 31 December 2022 to approximately HK\$18.5 million as at 31 December 2023, on which the Company's subsidiary made repayment based on the scheduled repayment dates set out in the respective borrowing agreements; and partially offset by (1) the increase in accruals and other payables from approximately HK\$51.6 million as at 31 December 2022 to approximately HK\$63.5 million as at 31 December 2023; and (2) the increase in amount due to a shareholder from approximately HK\$13.7 million as at 31 December 2022 to approximately HK\$18.7 million as at 31 December 2023. As at 31 December 2023, the Group's total liabilities mainly comprised trade payables of approximately HK\$81.3 million, accruals and other payables of approximately HK\$63.5 million and amount due to a shareholder of approximately HK\$18.7 million.

The Group's net assets decreased by approximately HK\$67.8 million from approximately HK\$203.4 million as at 31 December 2022 to approximately HK\$135.7 million as at 31 December 2023. According to the Directors, such decrease in net assets was mainly due to the loss-making position of approximately HK\$64.3 million during FY2023.

Financial position as at 30 June 2024

The Group's total assets decreased from approximately HK\$330.9 million as at 31 December 2023 to approximately HK\$320.6 million as at 30 June 2024. As advised by the Directors, such decrease in total assets was mainly due to the combined effect of (i) the decrease in cash and cash equivalents from approximately HK\$27.7 million as at 31 December 2023 to approximately HK\$7.3 million as at 30 June 2024, mainly driven by the net cash used in operating activities of approximately HK\$29.7 million for IR2024 causing mainly by the net loss for the period of approximately HK\$19.1 million; and (ii) the decrease in property, plant and equipment from approximately HK\$102.4 million as at 31 December 2023 to approximately HK\$87.4 million as at 30 June 2024, mainly driven by the disposal of property, plant and equipment during IR2024, due to the compliance with the environmental requirements, part of the production facilities have to be

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relocated or re-arranged and this gives rise to a loss on disposal of property, plant and equipment; and partially offset by slow recovery of the Group's business reflected in (1) the increase in inventories from approximately HK\$9.7 million as at 31 December 2023 to approximately HK\$13.0 million as at 30 June 2024; (2) the increase in trade, bill and loan receivables from approximately HK\$108.2 million as at 31 December 2023 to approximately HK\$114.5 million as at 30 June 2024; and (3) the increase in prepayment, deposits and other receivables from approximately HK\$50.6 million as at 31 December 2023 to approximately HK\$67.5 million as at 30 June 2024. As at 30 June 2024, the Group's total assets mainly comprised trade, bill and loan receivables of approximately HK\$114.5 million, property, plant and equipment of approximately HK\$87.4 million and prepayment, deposits and other receivables of approximately HK\$67.5 million.

The Group's total liabilities increased from approximately HK\$195.3 million as at 31 December 2023 to approximately HK\$206.3 million as at 30 June 2024. As advised by the Directors, such increase in total liabilities was mainly due to the combined effect of (i) the increase in accruals and other payables from approximately HK\$63.5 million (mainly comprised other payables, provision of compensation and cost for legal cases, accruals and other tax payables) as at 31 December 2023 to approximately HK\$93.9 million (mainly comprised other payables, provision of compensation and cost for legal cases, accruals and other tax payables) as at 30 June 2024 so as to maintain sufficient liquidity for the operating activities; and (ii) the increase in interest-bearing borrowings from approximately HK\$18.5 million as at 31 December 2023 to approximately HK\$39.2 million as at 30 June 2024, mainly because the Company's subsidiary has obtained new interest-bearing borrowings during IR2024; and partially offset by the decrease in trade payables from approximately HK\$81.3 million as at 31 December 2023 to approximately HK\$45.8 million as at 30 June 2024. As at 30 June 2024, the Group's total liabilities mainly comprised accruals and other payables of approximately HK\$93.9 million, trade payables of approximately HK\$45.8 million and interest-bearing borrowings of approximately HK\$39.2 million as at 30 June 2024.

The Group's net assets decreased by approximately HK\$21.4 million from approximately HK\$135.7 million as at 31 December 2023 to approximately HK\$114.3 million as at 30 June 2024. According to the Directors, such decrease in net assets was mainly due to the loss-making position of approximately HK\$19.1 million during IR2024.

Given that the Company has been loss making for FY2022, FY2023, IR2023 and IR2024 with persistent decrease in its net assets as at 31 December 2022, 31 December 2023 and 30 June 2024, we consider that the Company's financial performance was far from satisfactory. As such, we are of the view that the Offers provides a good opportunity to those Shareholders who wish to redeploy their investment from the Company.

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2. Overview and outlook of the concrete materials market in the PRC

As discussed with the Directors, the demands for concrete materials such as piles, concrete and bricks products are highly correlated to the level of construction activities in the PRC. There were many PRC property development firms which have defaulted on debts since 2021. The debt woes of property developers put pressure toward the property sales. The property slump contracted demand for the basic concrete materials sector. In light of this, we have researched and studied the data from National Bureau of Statistics of the PRC* (中華人民共和國國家統計局) (the “NBS”) (website link: <https://data.stats.gov.cn/index.htm>) and The Government of Yangjiang City* (陽江市人民政府) (website link: <http://www.yangjiang.gov.cn/>).

Statistics of development and investment of property market in the PRC

	2021	2022	2023	Compound annual growth rate	First half of 2023	First half of 2024	Growth rate
	RMB (billion)	RMB (billion)	RMB (billion)	(%)	RMB (billion)	RMB (billion)	(%)
National real estate development investment	14,760	13,290	11,091	-13.3	5,855	5,253	-10.3
National real estate construction project investment	8,891	7,931	6,162	-16.7	3,211	2,832	-11.8
	square meters '000	square meters '000	square meters '000		square meters '000	square meters '000	
Newly construction area of real estate projects	1,988,951	1,205,871	953,755	-30.8	498,795	380,225	-23.8

Source: Website of the NBS (<https://data.stats.gov.cn/index.htm>)

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Statistics of development and investment of property market in the Yangjiang City

	2021	2022	2023	Compound annual growth rate	First half of 2023	First half of 2024	Growth rate
	RMB (billion)	RMB (billion)	RMB (billion)	(%)	RMB (billion)	RMB (billion)	(%)
Yangjiang real estate development investment	10	8	8	-10.6	4	3	-25.0
Yangjiang real estate construction project investment	9	6	6	-18.4	3	2	-33.3

Source: Website of The Government of Yangjiang City* (陽江市人民政府) (<http://www.yangjiang.gov.cn/>)

As shown in the above table, the national real estate development investment decreased from approximately RMB14,760 billion for the year of 2021 to approximately RMB11,091 billion for the year of 2023, representing a negative compound annual growth rate of approximately 13.3%. For the six months ended 30 June 2024, the national real estate development investment was approximately RMB5,253 billion, representing a decrease of approximately 10.3% as compared with that of the same period of 2023.

Also, the national real estate construction project investment decreased from approximately RMB8,891 billion for the year of 2021 to approximately RMB6,162 billion for the year of 2023, representing a negative compound annual growth rate of approximately 16.7%. For the six months ended 30 June 2024, the national real estate construction project investment was approximately RMB2,832 billion, representing a decrease of approximately 11.8% as compared with that of the same period of 2023.

Furthermore, the newly construction area of real estate projects was also in a decreasing trend in the past three years. It decreased from approximately 2.0 billion square meters for the year of 2021 to approximately 1.2 billion square meters for the year of 2022, and further decreased to approximately 1.0 billion square meters for the year of 2023, representing a negative compound annual growth rate of approximately 30.8%. For the six months ended 30 June 2024, it recorded approximately 0.4 billion square meters, representing a decrease of approximately 23.8% as compared with that of the same period of 2023.

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As shown in the above table, the Yangjiang real estate development investment decreased from approximately RMB10 billion for the year of 2021 to approximately RMB8 billion for the year of 2023, representing a negative compound annual growth rate of approximately 10.6%. For the six months ended 30 June 2024, the Yangjiang real estate development investment was approximately RMB3 billion, representing a decrease of approximately 25.0% as compared with that of the same period of 2023.

Also, the Yangjiang real estate construction project investment decreased from approximately RMB9 billion for the year of 2021 to approximately RMB6 billion for the year of 2023, representing a negative compound annual growth rate of approximately 18.4%. For the six months ended 30 June 2024, the Yangjiang real estate construction project investment was approximately RMB2 billion, representing a decrease of approximately 33.3% as compared with that of the same period of 2023.

The above statistics from the NBS and The Government of Yangjiang City* (陽江市人民政府) demonstrated that the property market in the PRC and Yangjiang City may not be satisfactory, which directly affected the demand for the concrete materials.

Statistics of output of cements in the PRC

	2021	2022	2023	Compound annual growth rate	First half of 2023	First half of 2024	Growth rate
	tonnes '000	tonnes '000	tonnes '000	(%)	tonnes '000	tonnes '000	(%)
Output of cements	2,377,245	2,129,272	2,022,930	-7.8	953,003	850,468	-10.8

Source: Website of the NBS (<https://data.stats.gov.cn/index.htm>)

As shown in the above table, the output of cements decreased from approximately 2.4 billion tonnes for the year of 2021 to approximately 2.0 billion tonnes for the year of 2023, representing a negative compound annual growth rate of approximately 7.8%. For the six months ended 30 June 2024, the output of cements was approximately 0.9 billion tonnes, representing a decrease of approximately 10.8% as compared with that of the same period of 2023. The decreasing trend of output of cements in the past three years and recently also demonstrated that there is an overall lag in demand for concrete materials.

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Regarding the pricing trend of national average transaction price of cement, we have also reviewed the following reports:

- (i) the PRC’s Cement Economy in 2021 and Outlook for 2022* (2021年中國水泥經濟運行及2022年展望) (website link: <https://www.dcement.com/article/202201/187042.html>);
- (ii) the PRC’s Cement Economy in 2022 and Outlook for 2023* (2022年中國水泥經濟運行及2023年展望) (website link: <https://www.dcement.com/article/202301/207081.html>);
- (iii) the PRC’s Cement Economy in 2023 and Outlook for 2024* (2023年中國水泥經濟運行及2024年展望) (website link: <https://www.dcement.com/article/202401/219658.html>);
and
- (iv) the PRC’s Cement Economy in the first half of 2024* (2024年上半年中國水泥經濟運行報告) (website link: <https://www.dcement.com/article/202407/228702.html>).

These reports are published by Digital Cement* (數字水泥網), which is operated by China Cement Association* (中國水泥協會) (the “CCA”). The CCA is an association regulated by the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會). Set out below are the data extracted from these reports regarding the national average transaction price of cements:

	2021	2022	2023	Compound annual growth rate	First half of 2023	First half of 2024	Growth rate
	RMB per tonne	RMB per tonne	RMB per tonne	(%)	RMB per tonne	RMB per tonne	(%)
National average transaction price of cements	486	466	394	-10.0	421	367	-12.8

Source: Website of the Digital Cement* (數字水泥網) (<https://www.dcement.com/>)

As shown in the above table, the national average transaction price of cements decreased from approximately RMB486 per tonne for the year of 2021 to approximately RMB466 per tonne for the year of 2022, and further decreased to approximately RMB394 per tonne for the year of 2023, representing a negative compound annual growth rate of approximately 10.0%. For the six months ended 30 June 2024, the national average transaction price of cements was approximately

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RMB367 per tonne, representing a decrease of approximately 12.8% as compared with that of the same period of 2023. Based on the above data, the national cement price is still at a low level and remains uncertain.

After considering that (i) the Group has suffered a decline in revenue for FY2022, FY2023 and IR2024 and also a decline in gross profit for FY2023 and IR2024; (ii) the Group was in loss-making position for FY2022, FY2023, IR2023 and IR2024; (iii) the decrease in the output of cements and the national average transaction price of cements as analysed above; and (iv) the uncertainty on the recovery of the property market in the PRC, we consider the Group's outlook and prospects remain uncertain.

3. Information on the Offeror

The Offeror is primarily engaged in investment holding and is a controlling shareholder of the Company which beneficially owns 109,613,706 Shares, representing approximately 50.86% of the issued Shares as at the Latest Practicable Date. Mr. Chim is the sole legal and beneficial shareholder and the sole director of the Offeror.

Mr. Chim, aged 78, was a member of the Legislative Council of Hong Kong, representing the Financial Services Functional Constituency, for the period from 1991 to 1998 and from 2004 to 2012. In the past years, he had been the directors of various companies listed on the main board of Stock Exchange. Mr. Chim was a Director of Hing Yip Holdings Limited (formerly known as "China Investments Holdings Limited") (stock code: 0132) from 1989 to 1990; Managing Director of Goldin Properties Holdings Limited (formerly known as "Wai Yick Investment Company Limited") (stock code: 0283) from 1990 to 1991; Chairman of SMI Holdings Group Limited (formerly known as "Lucky Man Holdings Limited") (stock code: 0198) from 1994 to 1995; Chairman of Grand Field Group Holdings Limited (stock code: 0115) from 1994 to 1996; and Chairman and Executive Director of Rich Goldman Holdings Limited (formerly known as "Mandarin Resources Corporation Limited") (stock code: 0070) from 1994 to 1996. As stated in the paragraph headed "Proposed change of Board composition" under the section headed "Letter from Donvex Capital" in this Composite Document, (i) the Offeror has no intention to make any change to the composition of the Board as at the Latest Practicable Date; (ii) Mr. Chim has no experience in managing the Group's business and has no intention to participate in the business management of the Group; and (iii) Mr. Chim will not become a Director after completion of the Offers.

As at the Latest Practicable Date, Mr. Chim is the sole shareholder of the Offeror and is therefore interested in the 109,613,706 Shares of the Company owned by the Offeror, which represented approximately 50.86% of the issued Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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4. Intention of the Offeror in relation to the Group

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 piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products in the PRC.

As at Latest Practicable Date, the Offeror has no intention or 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.

5. Change of Board composition

As at the Latest Practicable Date, the Board comprises one executive Director, namely 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. Yu Shui Sang Bernard and Mr. Wong Yue Kwan Alan.

The Offeror did not propose to nominate any new Directors to the Board. Mr. Chim will not become a Director after completion of the Offers. Meanwhile, the Offeror has no intention to make any change to the composition of the Board as at the Latest Practicable Date.

6. Maintaining the listing status of the Company

The Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

The Stock Exchange has stated that if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares (excluding treasury 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.

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The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror had 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.

7. Compulsory acquisition

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

8. Our view

After considering the following factors,

- (i) the Offeror has intention to continue the existing business of the Group and intends that the Group's existing principal activities will be maintained;
- (ii) the Offeror intends to remain the issued Shares listed on the Stock Exchange and maintain the listing status of the Company;
- (iii) the Offeror has no intention to make any change to the composition of the Board and Mr. Chim, the sole director of the Offeror will not become a Director after completion of the Offers; and
- (iv) the Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Share Offer after the close of the Offers,

it is expected that there will be no immediate material change on the business operation of the Group after the close of the Offers.

However, given that (i) the Group was in loss-making position for FY2022, FY2023, IR2023 and IR2024; (ii) the Group's net assets position was deteriorating from approximately HK\$203.4 million as at 31 December 2022 to approximately HK\$135.7 million as at 31 December 2023, and further decreased to approximately HK\$114.3 million as at 30 June 2024; and (iii) the uncertainty on the future prospect of the Group, we are of the view that the Offers represents an opportunity for the Shareholders to realise their investments in the Company should they so wish to.

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ANALYSIS OF THE SHARE OFFER PRICE FOR THE SHARE OFFER

9. Comparison of the Share Offer Price

The Share Offer Price of HK\$0.1 per Offer Share represents:

- (i) a premium of approximately 96.08% to the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 96.08% to the average of the closing prices of the Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.051 per Share;
- (iii) a premium of approximately 75.44% to the average of the closing prices of the Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK\$0.057 per Share;
- (iv) a discount of approximately 85.07% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 84.13% to the audited consolidated net asset value attributable to the Shareholders as at 31 December 2023 of approximately HK\$0.630 per Share (based on the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 (the date to which the latest audited financial results of the Group were made up) divided by 215,520,000 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of approximately 81.13% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 of approximately HK\$0.530 per Share (based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 (the date to which the latest unaudited financial results of the Group were made up) and divided by 215,520,000 Shares in issue as at the Latest Practicable Date).

On the other hand, (i) the daily closing price of the Share during the period from 4 September 2023, being the twelve-month period prior to the Last Trading Day (i.e. 5 September 2024) (the “**Pre Joint Announcement Review Period**”), ranging from the highest of HK\$0.098 per Share to the lowest of HK\$0.050 per Share, had been trading substantially below the net asset value per Share as illustrated in Chart 1 below; (ii) the trading of the Share during the period from 6 September 2024 to 27 September 2024 was halted; and (iii) the daily closing price of the Share

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during the period from 30 September 2024 to the Latest Practicable Date (the “**Post Joint Announcement Review Period**”), ranging from the highest of HK\$0.780 per Share to the lowest of HK\$0.190 per Share, had been trading on a general increasing trend from HK\$0.190 per Share on 30 September 2024 to HK\$0.67 per Share on the Latest Practicable Date. Shareholders should also note that 30 trading days out of 45 trading days during the Post Joint Announcement Review Period were closed above the net asset value per Share as illustrated in Chart 1 below. We consider that the review period as mentioned above is fair and reasonable to illustrate the general trend and movement of recent closing prices of the Shares.

As discussed above, the net asset value per Share as at 31 December 2023 and 30 June 2024 were approximately HK\$0.630, HK\$0.530 respectively which is significantly higher than the Share Offer Price.

10. Historical performance of Shares

10a. Historical price of Shares

Set out below is the chart showing the daily closing price of Shares as quoted on the Stock Exchange during the Pre Joint Announcement Review Period and the Post Joint Announcement Review Period (collectively, the “**Review Periods**”). We consider that the Review Periods are fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing prices of Shares for conducting a reasonable comparison among the historical closing prices of Shares and the Share Offer Price.

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Chart 1: Movement of the daily closing price of the Share during the Review Periods



Note: The net asset value per Share was calculated based on the consolidated net asset value attributable to Shareholders as set out in the respective interim or annual results of the Company divided by the total number of Shares in issue as at the Latest Practicable Date.

Source: Website of the Stock Exchange (<https://www.hkex.com.hk>)

As depicted in the above chart 1 during the Review Periods, all the closing price of Shares were below the Share Offer Price of HK\$0.1 per Share throughout the whole Pre Joint Announcement Review Period. During the Pre Joint Announcement Review Period, (i) the closing price of Shares demonstrated a general sideways trend throughout the Pre Joint Announcement Review Period; and (ii) the closing price of Shares range from HK\$0.050 on 19 August 2024 to HK\$0.098 on 6 June 2024, with an average of approximately HK\$0.073. After the publication of the Joint Announcement, the closing price of Shares was on a general increasing trend from HK\$0.190 per Share on 30 September 2024 to HK\$0.67 per Share on the Latest Practicable Date during the Post Joint Announcement Review Period.

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The Share Offer Price of HK\$0.1 represents:

Pre Joint Announcement Review Period

- (i) a premium of approximately 100.00% to the lowest closing price of HK\$0.050 during the Pre Joint Announcement Review Period;
- (ii) a premium of approximately 2.04% to the highest closing price of HK\$0.098 during the Pre Joint Announcement Review Period;
- (iii) a premium of approximately 37.33% to the average closing price of approximately HK\$0.073 during the Pre Joint Announcement Review Period;

Last Trading Day

- (iv) a premium of approximately 96.08% to the closing price of HK\$0.051 on the Last Trading Day;

Post Joint Announcement Review Period

- (v) a discount of approximately 47.37% to the lowest closing price of HK\$0.190 during the Post Joint Announcement Review Period;
- (vi) a discount of approximately 87.18% to the highest closing price of HK\$0.780 during the Post Joint Announcement Review Period;
- (vii) a discount of approximately 82.02% to the average closing price of approximately HK\$0.556 during the Post Joint Announcement Review Period;

Review Periods

- (viii) a premium of approximately 100.00% to the lowest closing price of HK\$0.050 during the Review Periods;
- (ix) a discount of approximately 87.18% to the highest closing price of HK\$0.780 during the Review Periods;
- (x) a discount of approximately 31.89% to the average closing price of HK\$0.147 during the Review Periods;

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Net asset value

- (xi) a discount of approximately 84.13% to the audited consolidated net asset value attributable to the Shareholders as at 31 December 2023 of approximately HK\$0.630 per Share (based on the audited consolidated net asset value attributable to Shareholders as at 31 December 2023 (the date to which the latest audited financial results of the Group were made up) divided by 215,520,000 Shares in issue as at the Latest Practicable Date);
- (xii) a discount of approximately 81.13% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 of approximately HK\$0.530 per Share (based on the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 (the date to which the latest unaudited financial results of the Group were made up) and divided by 215,520,000 Shares in issue as at the Latest Practicable Date); and

Latest Practicable Date

- (xiii) a discount of approximately 85.07% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Shareholders should note that the information set out above is not an indicator of the future trading price performance of Shares, and that the trading price of Shares may increase or decrease during the Offer Period.

Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading price of Shares during the Offer Period.

10b. Historical liquidity of Shares

The following table sets out the average daily trading volume (the “ADTV”) of Shares for each month or period and the percentages of such ADTV to the number of total issued Shares and the Shares held by public Shareholders during the Review Period:

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Table 1: Trading liquidity of Shares

	Number of trading days	ADTV during the period/month/day <i>(Shares)</i> <i>(Note 1)</i>	Percentage of ADTV over the issued Shares of the Company as at period/month end <i>(approximate %)</i> <i>(Note 2)</i>	Percentage of ADTV over the issued Shares of the Company held by the public Shareholders as at period/month end <i>(approximate %)</i>
2023				
From 4 September 2023 to 29 September 2023	19	29,074	0.0162	0.0275
October	20	9,450	0.0053	0.0089
November	22	77,018	0.0429	0.0727
December	19	168	0.0001	0.0002
2024				
January	22	4,636	0.0026	0.0044
February	19	53,995	0.0301	0.0510
March	20	29,090	0.0162	0.0275
April	20	13,500	0.0075	0.0127
May	21	49,271	0.0274	0.0465
June	19	44,909	0.0250	0.0424
July	22	15,638	0.0087	0.0148
August	22	32,382	0.0180	0.0306
From 2 September 2024 to 5 September 2024	4	25,200	0.0140	0.0238
From 9 September 2024 to 27 September 2024	— <i>(Note 3)</i>	— <i>(Note 3)</i>	— <i>(Note 3)</i>	— <i>(Note 3)</i>
On 30 September 2024	1	17,999,160	10.0218	16.9954
October	21	3,050,053	1.6982	2.8800
November	21	484,160	0.2246	0.4572
From 2 December 2024 to the Latest Practicable Date	2	1,046,600	0.4856	0.9882

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Notes:

1. It is calculated by dividing the ADTV for the month/period by the total number of Shares in issue at the end of month/period.;
2. It is calculated by dividing the ADTV for the month/period by the total number of Shares in issue held by public Shareholders at the end of month/period.; and
3. Trading of Shares was halted during the period from 9 September 2024 to 27 September 2024 and pending the release of the Joint Announcement.

Source: Website of the Stock Exchange (<https://www.hkex.com.hk>)

As illustrated from the table 1 above, the monthly ADTV of Shares during the Pre Joint Announcement Review Period ranged from approximately 168 Shares in December 2023 to approximately 77,018 Shares in November 2023, representing approximately 0.0001% to approximately 0.0429% of the total number of Shares in issue and approximately 0.0002% to approximately 0.0727% of the total number of Shares held by the public Shareholders respectively.

On the first trading day (i.e. 30 September 2024) after the release of the Joint Announcement, the daily trading volume of Shares substantially increased to 17,999,160 Shares, which is above all the daily trading volume of Shares during the Pre Joint Announcement Review Period and accounts for approximately 16.9954% of the total number of Shares held by public Shareholders. Such high daily trading volume of Shares on 30 September 2024 might be due to market speculations of certain corporate actions of the Company such as the Share Subscription, the CB Subscription and the Share Offer.

Furthermore, Shareholders should also note that (i) there was a total of 170 trading days on which there was no trading of Shares, representing approximately 68.3% of 249 trading days during the Pre Joint Announcement Review Period; and (ii) there was trading of Shares daily during the Post Joint Announcement Review Period.

During the period from 2 October 2024 to the Latest Practicable Date, we also noted that there was trading of Shares daily with the following ranges:

- (i) the lowest trading volume of 60,000 Shares traded on 13 November 2024, representing approximately 0.0567% of the total number of Shares held by public Shareholders; and
- (ii) the highest trading volume of 7,554,620 Shares traded on 2 October 2024, representing approximately 7.1333% of the total number of Shares held by public Shareholders.

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Shareholders should note that the information set out above is not an indicator of the future trading volume of Shares, and that the trading volume of Shares may fluctuate during the Offer Period.

Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading volume of Shares during the Offer Period.

10c. Our view

Despite the trading price and trading volume of Shares become active after the publication of the Joint Announcement, having considered (i) the closing price of the Shares was generally in a sideways trend throughout the Pre Joint Announcement Review Period and suddenly was on a general increasing trend after the publishment of the Joint Announcement which demonstrated market speculations of certain corporate actions of the Company exist and creates concern on the stability of trading price of Shares and whether such increasing trend of trading price of Shares after the publishment of the Joint Announcement can be maintained or sustained; (ii) the historical daily trading volume of Shares during the Pre Joint Announcement Review Period are thin; and (iii) there is a general decreasing trend of trading volume from 17,999,160 Shares on 30 September 2024 to 1,068,000 Shares as at the Latest Practicable Date during the Post Joint Announcement Review Period, it creates an uncertainty on whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the trading price of Shares.

Therefore, we consider that the Share Offer provides an assured exit alternative for the Independent Shareholders, to realise part of or all of their investments in the Shares at the Share Offer Price of HK\$0.1 per Offer Share if they wish so.

We would like to remind Shareholders that our analysis set out above is not an indicator of the future performance of Shares, and that the trading price of Shares after the publishment of the Joint Announcement (i) may be maintained or not be maintained at this high level in the Post Announcement Review Period; or (ii) may be sustained or not be sustained during the Offer Period and after the close of the Offers.

Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading price of Shares during the Offer Period.

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11. Comparable analysis with other listed companies

As discussed in the paragraph headed “1. Background and financial information of the Group” and “2. Overview and outlook of the concrete materials market in the PRC” above in this letter, the Group principally engages in manufacturing and trading of pre-stressed high strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products in the PRC. Based on the Share Offer Price of HK\$0.1 per Offer Share and the total number of issued Shares of 215,520,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$21.6 million. In this respect, in order to evaluate the fairness and reasonableness of the Share Offer Price, we have conducted a comparable company analysis based on the following selection criteria to include companies that

- (a) are listed on the Stock Exchange and are not being suspension of trading as at the Last Trading Day;
- (b) are principally engaged in manufacturing and trading of concrete products;
- (c) generate at least 50% of their respective total revenue contributed from manufacturing and trading of concrete products in their latest financial year; and
- (d) have market capitalisation at or below HK\$100 million as at the Last Trading Day.

Since the theoretical market capitalisation of the Company was only approximately HK\$21.6 million with reference to the Share Offer Price, we would limit the selection for comparison with small sized listed companies of market capitalisation of less than HK\$100 million in search for border comparables. Based on the aforementioned criteria, we have identified an exhaustive list of two companies listed on the Stock Exchange which are engaged in manufacturing and trading of concrete products (the “**Comparable Companies**”).

For comparison purpose, we have considered the price-to-earnings ratio (the “**P/E Ratio**”), which is the most commonly adopted valuation benchmark in the course of valuation of companies. However, given that the Company recorded a loss-making position for FY2023, we are unable to conduct the comparison on P/E Ratio. We also considered the use of the price-to-book ratio (the “**P/B Ratio**”) and the price-to-sales ratio (the “**P/S Ratio**”) in our market comparable analysis as reference, details of which are set out below.

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Table 2: Analysis of the Comparable Companies

No.	Name of company (stock code)	Principal business	Market capitalisation (Note 2) '000	Revenue for	Profit/(Loss)	Net assets for	P/B Ratio (Note 3)	P/S Ratio (Note 4)
				the latest financial year (audited) '000	for the latest financial year (audited) '000	the latest financial year (audited) '000		
1.	Huasheng International Holding Limited (1323)	Principally engaged in production and sales of ready-mixed commercial concrete in the PRC and provision of money lending services in Hong Kong.	HK\$77,077	HK\$565,906	HK\$(31,441)	HK\$960,397	0.08	0.14
2.	Tailam Tech Construction Holdings Ltd. (6193)	Principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles, commercial concrete and ceramsite concrete block in the PRC.	HK\$76,000	RMB245,031	RMB(17,637)	RMB207,060	0.34	0.28
					Maximum	0.34	0.28	
					Minimum	0.08	0.14	
					Median	0.21	0.21	
					Mean	0.21	0.21	

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		Implied market capitalisation (Note 2) '000	Revenue for the latest financial year (audited) '000	Profit/(Loss) for the latest financial year (audited) '000	Net assets for the latest financial year (audited) '000	Implied P/B Ratio (Note 3)	Implied P/S Ratio (Note 4)
The Company (58)	Principally engages in manufacturing and trading of pre-stressed high strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products in the PRC.	HK\$21,552	HK\$246,531	HK\$(64,262)	HK\$135,674	0.16	0.09

Notes:

1. The conversion of RMB into HK\$ is made for illustrative purpose only, at the rates of RMB1.00 = HK\$1.09.;
2. The market capitalisations of the Comparable Companies are calculated by multiplying their respective closing prices as at the Last Trading Day by the numbers of shares. The implied market capitalisation of the Company is calculated by multiplying the Share Offer Price by the number of Shares.;
3. The P/B Ratio of the Comparable Companies are calculated by dividing their respective market capitalisation as at the Last Trading Day by their respective audited annual consolidated net asset values according to their respective latest audited financial year. The implied P/B Ratio of the Company (the “**Implied P/B Ratio**”) is calculated by dividing its market capitalisation based on the Share Offer Price by the audited annual consolidated net asset value of approximately HK\$135.7 million as at 31 December 2023; and
4. The P/S Ratio of the Comparable Companies are calculated by dividing their respective market capitalisation as at the Last Trading Day by their respective audited revenue for the latest audited financial year . The implied P/S Ratio of the Company (the “**Implied P/S Ratio**”) is calculated by dividing its market capitalisation based on the Share Offer Price by the revenue of the Group of approximately HK\$246.5 million for FY2023.

Source: Website of the Stock Exchange (<https://www.hkex.com.hk>)

As illustrated from the table 2 above, we noted that (i) the P/B Ratio of the Comparable Companies ranges from approximately 0.08 times to 0.34 times, with mean and median of approximately 0.21 times; and (ii) the P/S Ratio of the Comparable Companies ranges from approximately 0.14 times to 0.28 times, with mean and median of approximately 0.21 times. The Implied P/B Ratio of approximately 0.16 times is below the corresponding mean and median of the

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P/B Ratio of the Comparable Companies respectively and within the range of the P/B Ratio of the Comparable Companies. The Implied P/S Ratio of approximately 0.09 times is below all the P/S Ratio of the Comparable Companies. In view of the facts that:

- (i) the sample size is small with only two Comparable Companies;
- (ii) the Comparable Companies have different financial position and performance between themselves and as compared with the Company, in particular
 - (1) all the Comparable Companies recorded net assets which were higher than the Company's net assets and ranged from approximately HK\$225.7 million (approximately RMB207.1 million) of Tailam Tech Construction Holdings Ltd. to approximately HK\$960.4 million of Huasheng International Holding Limited whereas the Company recorded net assets of approximately HK\$135.7 million; and
 - (2) all the Comparable Companies recorded lesser net loss for the latest financial year than the Company's net loss for the latest financial year; and
- (iii) the P/S Ratio does not take cost and hence profitability of the company into account,

we consider that the P/B Ratio and the P/S Ratio of the Comparable Companies may not serve as a representative indication regarding the Share Offer Price and should only serve as a reference only.

12. Our view

Given that

- (i) the closing price of the Shares was generally in a sideways trend throughout the Pre Joint Announcement Review Period and suddenly was on a general increasing trend after the publication of the Joint Announcement which demonstrated market speculations of certain corporate actions of the Company exist and creates concern on the stability of trading price of Shares;
- (ii) the trading volume of the Shares was low during the Pre Joint Announcement Review Period and suddenly become active after the publication of the Joint Announcement. However, such active trading volume of Shares may not be able to maintain continuously and be noted that there is a general decreasing trend of trading volume from 17,999,160 Shares on 30 September 2024 to 1,068,000 Shares as at the Latest Practicable Date during the Post Joint Announcement Review Period. Such performance

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on the trading volume of Shares creates concern on whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the trading price of Shares;

- (iii) the Company was in loss-making position for FY2022, FY2023, IR2023 and IR2024;
- (iv) the Company's net asset value decreased from approximately HK\$203.4 million as at 31 December 2022 to approximately HK\$135.7 million as at 31 December 2023, and further decreased to approximately HK\$114.3 million as at 30 June 2024; and
- (v) the outlook and prospect of the Group and the concrete materials sector in the PRC remain uncertain as discussed in the paragraph headed "2. Overview and outlook of the concrete materials market in the PRC" above in this letter.

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

While we have also attempted to compare the terms of the Share Offer with other general offer transactions announced by other listed companies, there were no general offer transactions announced by the companies, that (a) are listed on the Stock Exchange; (b) with at least 50% of their respective total revenue contributed from manufacturing and trading of concrete products in their latest financial year; and (c) have market capitalisation at or below HK\$100 million as at the Last Trading Day, within one year prior to the Last Trading Day. We consider an offer price comparable analysis using other general offer transactions would not be meaningful without taking into account the relevant comparable business segment. As such, we are of the view that such analysis method is not appropriate to assess the fairness and reasonableness of the Share Offer Price.

ANALYSIS OF THE OFFER PRICE FOR THE CONVERTIBLE NOTES OFFER

13. Principal terms of the Convertible Notes Offer

Please refer to the paragraph headed "1. The Offers" above in this letter for detailed information on the principal terms of the Convertible Notes Offer.

14. Our view

As set out in the paragraph headed "1. The Offers" above in this letter, the proposed offer price of the Convertible Notes is HK\$10,929 in cash for each HK\$1,000,000 face value of the Convertible Notes, determined in accordance with Rule 13 of the Takeovers Code as the

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“see-through” consideration for the Convertible Notes, being the number of new Shares which the Convertible Notes could be convertible into (i.e. 1,639,344 new conversion shares (rounded down)) multiplied by the Share Offer Price of HK\$0.10 per Offer Share, valuing the total Convertible Notes Offer at approximately HK\$163,935.

We note that (i) the closing price of HK\$0.051 per Share as at the Last Trading Day implies that the market value of each of the Convertible Notes is approximately HK\$5,574 as at the Last Trading Day, representing a discount of approximately 49.0% to the offer price for each of the Convertible Notes of HK\$10,929; and (ii) the closing price of HK\$0.67 per Share as at the Latest Practicable Date implies that the market value of each of the Convertible Notes is approximately HK\$73,224 as at the Latest Practicable Date, representing a premium of approximately 570.0% to the offer price of the Convertible Notes.

We also noted that (i) the closing price of HK\$0.051 per Share as at the Last Trading Day implies that the conversion price of HK\$9.15 per conversion share is far out-of-money, representing a discount of approximately 99.4% to the conversion price of HK\$9.15 per conversion share; and (ii) the offer price of each of the Convertible Notes is HK\$10,929, representing a less out-of-money and a discount of approximately 98.9% to each of the Convertible Notes (i.e. HK\$1,000,000).

As set out in the paragraph headed “The Offers” under the section headed “Letter from Donvex Capital” in this Composite Document, the remaining Convertible Notes in the principal amount of HK\$15 million, as issued by the Company pursuant to a sale and purchase agreement dated 3 October 2013 (the “SPA”), are convertible into 1,639,344 new conversion Shares (rounded down). The Convertible Notes were issued in favour of the vendor of the SPA (the “Vendor”) as part of the consideration of the SPA. According to the Company’s circular dated 31 March 2014 in relation to the SPA, the Convertible Notes was part of the consideration of the SPA and therefore no money has been paid by the Vendor to the Company in relation to the issue of the Convertible Notes. Pursuant to the Company’s announcement dated 2 May 2014, the SPA was completed. As at the date of this Composite Document, the remaining Convertible Notes are held as to HK\$10 million legally and beneficially by the Vendor, and as to HK\$5 million by an independent third party on trust for the benefit of the Vendor. 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

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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 date of this Composite Document, the litigation is still in progress and no judgment has been made by the Court.

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 109,289 new conversion Shares (rounded down). 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. As stated in the Annual Report, the Convertible Notes were matured on 28 April 2017.

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 new conversion Shares, 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 the Convertible Notes immediately if they wish so and would not lose all the principal amount of the Convertible Notes if the court rules against the Convertible Noteholders.

Given that (i) the Convertible Notes were matured on 28 April 2017; (ii) the closing price of the Shares was generally in a sideways trend throughout the Pre Joint Announcement Review Period and suddenly was on a general increasing trend after the publication of the Joint Announcement which demonstrated market speculations of certain corporate actions of the Company exist and creates concern on the stability of trading price of Shares, resulting in the fluctuation of the implied value of each of the Convertible Notes; (iii) the closing price of HK\$0.051 per Share as at the Last Trading Day implies that the conversion price of HK\$9.15 per conversion share is far out-of-money; and (iv) the proposed offer price of the Convertible Notes provide an opportunity for the Convertible Noteholders to realise the Convertible Notes immediately if they wish so and would not lose all the principal amount of the Convertible Notes if the court rules against the Convertible Noteholders, we consider that the offer price of the Convertible Notes is fair and reasonable and provides an assured exit alternative for the Convertible Noteholders, to realise the Convertible Notes if they wish so. 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 the Convertible Notes.

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Furthermore, as set out in the paragraph headed “Effect of accepting the Offers” under the section headed “Letter from Donvex Capital” 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. Details of the terms and conditions of the Convertible Notes are set out in the circular of the Company dated 31 March 2014. The Convertible Noteholders should note that, pursuant to the terms and conditions of the Convertible Notes, the Convertible Notes may not be transferred to a connected person of the Company without the prior written consent of the Company. According to the paragraph headed “Effect of accepting the Offers” under the section headed “Letter from Donvex Capital” in this Composite Document, it is the Company’s intention to grant the consent to the Convertible Noteholders to transfer the Convertible Notes to the Offeror in the event the Convertible Noteholders accept the Convertible Notes Offer. We are of the view that the Convertible Noteholders’ interest is safeguarded if they wish to accept the Convertible Notes Offer.

RECOMMENDATION

The Share Offer

Having considered the principal factors and reasons as discussed above, in particular,

- (i) As discussed in the paragraph headed “2. Overview and outlook of the concrete materials market in the PRC”, the outlook and prospect of the concrete materials sector in the PRC remain uncertain;
- (ii) The financial performance and position of the Group are deteriorating for FY2022, FY2023 and IR2024, in particular that (1) the Group’s revenue for the financial year decreased from approximately HK\$451.1 million for FY2022 to approximately HK\$246.5 million for FY2023; (2) the Group’s revenue for the six months period also decreased from approximately HK\$115.6 million for IR2023 to approximately HK\$100.5 million for IR2024; and (3) the Group’s net asset value decreased from approximately HK\$203.4 million as at 31 December 2022 to approximately HK\$135.7 million as at 31 December 2023, and further decreased to approximately HK\$114.3 million as at 30 June 2024;
- (iii) all the Comparable Companies were also in loss-making positions for their respective latest financial year which also demonstrates the uncertainty on the prospect of the concrete materials market in the PRC;
- (iv) the sudden increase in trading price of Shares during the Post Joint Announcement Review Period creates concern on the stability on trading price of Shares; and

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- (v) the fluctuation of trading volume of Shares during the Post Joint Announcement Review Period also creates concern on whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the trading price of Shares.

We are of the opinion that, the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Takeovers Code Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Share Offer.

For those Shareholders who intend to accept the Share Offer, we would remind them to closely monitor the trading price and trading volume of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Share Offer.

For those Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the trading price of the Shares as a result of the thin trading volume in the Shares.

As different Shareholders would have different investment criteria, objectives or risk appetite and profiles, we 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 broker, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

The Convertible Notes Offer

Given that (i) the Convertible Notes were matured on 28 April 2017; (ii) the closing price of the Shares was generally in a sideways trend throughout the Pre Joint Announcement Review Period and suddenly was on a general increasing trend after the publication of the Joint Announcement which demonstrated market speculations of certain corporate actions of the Company exist and creates concern on the stability of trading price of Shares, resulting in the fluctuation of the implied value of each of the Convertible Notes; (iii) the closing price of HK\$0.051 per Share as at the Last Trading Day implies that the conversion price of HK\$9.15 per conversion share is far out-of-money; and (iv) the proposed offer price of the Convertible Notes provide an opportunity for the Convertible Noteholders to realise the Convertible Notes immediately if they wish so and would not lose all the principal amount of the Convertible Notes if the court ultimately rules against the Convertible Noteholders, we consider that the offer price

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of the Convertible Notes is fair and reasonable and provides an assured exit alternative for the Convertible Noteholders, to realise the Convertible Notes if they wish so. 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 the Convertible Notes. On such basis, we advise the Takeovers Code Independent Board Committee to recommend, and we ourselves recommend, the Convertible Noteholders to accept the Convertible Notes Offer.

Warning: For those Convertible Noteholders who intend to accept the Convertible Note Offer, we would remind them to be aware of any implication or consequences under the SPA legal proceedings, including a risk of being unable to return the Convertible Notes if the court rules so.

As different Convertible Noteholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Convertible Noteholders 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 broker, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

* *for identification purpose only*

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

To accept the Offers, you should complete and sign the respective accompanying Form of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the respective Form of Acceptance which form part of the terms of the Offers.

1. PROCEDURES FOR ACCEPTANCE

The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the **WHITE** Form of Share Offer Acceptance which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “**Sunway International Holdings Limited — Share Offer**” on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

- indemnity or indemnities required in respect thereof) in an envelope marked “**Sunway International Holdings Limited — Share Offer**” to the Registrar by no later than 4:00 p.m. on the Closing Date; or
- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in an envelope marked “**Sunway International Holdings Limited — Share Offer**” to the Registrar by no later than 4:00 p.m. on the Closing Date; or
- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and signed and delivered in an envelope marked “**Sunway International Holdings Limited — Share Offer**” to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be delivered to the Registrar. The Offeror shall have the absolute discretion to

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

decide whether any Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar in an envelope marked “**Sunway International Holdings Limited — Share Offer**” together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities Company Limited or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

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- (g) If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar and the Company (together with any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) must be produced.
- (h) In Hong Kong, the seller's ad valorem stamp duty on acceptances of the Share Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offers Shares; or (ii) the consideration payable in respect of the relevant acceptances of the Share Offer by the Offeror, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Share Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

The Convertible Notes Offer

- (a) If you accept the Convertible Notes Offer and the certificate(s) of the Convertible Notes and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) is/are in your name, you should complete the **BLUE** Form of Convertible Notes Offer Acceptance in accordance with the instructions printed thereon in respect of the outstanding principal amount of the Convertible Notes held by you that you wish to tender to the Convertible Notes Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the **BLUE** Form of Convertible Notes Offer Acceptance which form part of the terms of the Convertible Notes Offer.
- (b) The completed **BLUE** Form of Convertible Notes Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Convertible Notes and/or other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) which you intend to accept the Convertible Notes Offer, by post or by hand, to the Company at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong, marked "**Sunway International Holdings Limited —**

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

Convertible Notes Offer” on the envelope, as soon as possible but in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (c) No acknowledgement of receipt of any **BLUE** Form of Convertible Notes Offer Acceptance and/or certificate(s) of the Convertible Notes and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required by the Company in respect thereof) will be given.
- (d) No stamp duty is payable in connection with the acceptances of the Convertible Notes Offer.

2. SETTLEMENT OF THE OFFERS

The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar by 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the Independent Shareholders who accepts the Offer Shares less seller’s ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of the duly completed and signed **WHITE** Form of Share Offer Acceptance and all relevant documents of title which render such acceptance under the Share Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code .

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

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

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

The Convertible Notes Offer

Provided that a valid **BLUE** Form of Convertible Notes Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) are complete and in good order in all respects and have been received by the Company by 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the Convertible Noteholder(s) who accepts the Convertible Notes Offer in respect of the Convertible Notes tendered by it/him/her under the Convertible Notes Offer will be despatched to such Convertible Noteholder by ordinary post at its/his/her own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt by the Company of the duly completed and signed **BLUE** Form of Convertible Notes Offer Acceptance, and all the relevant documents to render the acceptance under the Convertible Notes Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code .

Settlement of the consideration to which any accepting Convertible Noteholder is entitled under the Convertible Notes Offer will be implemented in full in accordance with the terms of the Convertible Notes Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Convertible Noteholder.

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

No fractions of a cent will be payable and the amount of cash consideration payable to a Convertible Noteholder who accepts the Convertible Notes Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and the **BLUE** Form of Convertible Notes Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Convertible Notes Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive in accordance with the Takeovers Code.
- (b) Unless the Offers have previously been extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Forms of Acceptance must be received by the Registrar or the Company (as the case may be) by 4:00 p.m. on the

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

Closing Date in accordance with the instructions printed on the Forms of Acceptance. The Offeror will issue an announcement in relation to any extension of the Offers, which will state the next closing date or that the Offers will remain open until further notice and at least 14 days' notice in writing must be given to those Shareholders who have not accepted the Offers before the Offers are closed and an announcement must be published. If the Offer is extended, the announcement of such extension will state the revised Closing Date. If the Closing Date is extended, any reference in the Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

- (c) If the Closing Date of the Offers are extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (d) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholder(s) and Convertible Noteholder(s) who accept the Offers become entitled to withdraw their acceptance under the paragraph headed "6. Right of withdrawal" of this Appendix below and duly do so.

4. CONVERSION OF THE CONVERTIBLE NOTES

Convertible Noteholders who wish to accept the Share Offer may (i) exercise his/her/its conversion right under the Convertible Notes (to the extent exercisable) by completing, signing and delivering a notice for exercising such right and the related certificates for the Convertible Notes to the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the conversion right of the Convertible Notes. Exercise of conversion right of the Convertible Notes is subject to the respective terms and conditions attaching to the Convertible Notes. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the conversion right of the Convertible Notes but will only be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities Company Limited and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on conversion of the Convertible Notes as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Convertible Noteholder fails to exercise his/her/its conversion right of the Convertible Notes as aforesaid and in accordance with the respective terms and conditions of the Convertible Notes, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

allotted pursuant to his/her/its exercise of the conversion right of the Convertible Notes to such Convertible Noteholder in time for him/her/it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

5. ANNOUNCEMENTS

- (a) As required by Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension of the Offers. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offers have been extended . The announcement will state the following:
- (i) the total number of Shares and rights over Shares for which acceptance of the Share Offer have been received;
 - (ii) the total outstanding principal amount of Convertible Notes and rights over the Convertible Notes for which acceptance of the Convertible Notes Offer have been received;
 - (iii) the total number of Shares, rights over Shares held, controlled or directed by the Offeror and/or parties acting in concert with it before the Offer Period;
 - (iv) the total number of Shares, rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror and/or parties acting in concert with it;
 - (v) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or the parties acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold; and
 - (vi) the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.
- (b) In computing the total number of Shares and principal amount of Convertible Notes represented by acceptances, only valid acceptances that are in all respects complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar (as regards the Share Offer) or the

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

Company (as regards the Convertible Notes Offer) no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive, shall be included.

- (c) As required under the Takeovers Code, all announcements in relation to the Offers must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate. Any announcement in relation to the Offers will be published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.hk0058.com>.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by any Offer Shareholders and Convertible Noteholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the paragraph headed “5. Announcements” above), the Executive may require that the Independent Shareholders and Convertible Noteholders who have tendered acceptances of the Offers be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. In such case, when the Independent Shareholders and/or Convertible Noteholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) Business Days after the Offer is withdrawn, return by ordinary post the Share certificate(s), certificate(s) of the Convertible Notes, and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required by the Company in respect thereof) lodged with the Forms of Acceptance to the relevant Independent Shareholder(s) (as relating to the Share Offer) and to the Company for collection by the Convertible Noteholder(s) (as relating to the Convertible Notes Offer) at their own risks.
- (c) Save as aforesaid, acceptances of the Offers shall be irrevocable and not capable of being withdrawn.

7. STAMP DUTY

Sellers' Hong Kong ad valorem stamp duty payable by Independent Shareholders on acceptances of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance,

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

will be deducted from the amount payable to the Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of sellers' ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Convertible Notes Offer.

8. OVERSEAS SHAREHOLDERS AND OVERSEAS CONVERTIBLE NOTEHOLDERS

The making of the Offers to Overseas Shareholders and Overseas Convertible Noteholders may be prohibited or affected by the applicable laws and/or regulations of the relevant jurisdictions. Overseas Shareholders and Overseas Convertible Noteholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers.

It is the responsibility of each Overseas Shareholder and Overseas Convertible Noteholder who wishes to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholder(s) and Overseas Convertible Noteholder(s) in respect of such jurisdiction.

The Offeror, parties acting in concert with the Offeror, the Company, the Independent Financial Adviser, Kingston Securities, Donvex Capital Limited, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders and Overseas Convertible Noteholders for any taxes as such persons may be required to pay.

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

9. NOMINEE REGISTRATION

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

10. TAXATION ADVICE

Independent Shareholders and Convertible Noteholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Donvex Capital, the Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

11. GENERAL

- (a) All communications, notices, Forms of Acceptance, Share certificate(s), certificate(s) of the Convertible Notes, transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and Convertible Noteholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, parties acting in concert with the Offeror, the Independent Financial Adviser, Kingston Securities, Donvex Capital Limited, the Registrar or any of their respective directors or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage, delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and **BLUE** Form of Convertible Notes Offer Acceptance form part of the terms and conditions of the Share Offer and the Convertible Notes Offer, respectively.

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Forms of Acceptance will constitute an authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Offer Shares and the Convertible Notes in respect of which such person or persons has/have accepted the Offers.

By accepting the Offers, the Independent Shareholders and Convertible Noteholders will sell their Offer Shares or Convertible Notes to the Offeror that are (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and any other third party rights of any nature; and (c) together with all rights, benefits and entitlements attaching to them, including, without limitation, the right to receive and retain in full all dividends and other distributions (as applicable) which may be recommended, declared, made or paid on or after the date on which the Offers are made, being the date of despatch of this Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend or distribution which remain unpaid and the Company had no intention to make, declare or pay any future dividend/distribution before the close of the Offers. In the event of any declaration of dividend/distribution by the Company, such dividend/distribution will not be used to set off against the Offers Price (or any part thereof) payable to the Independent Shareholders and Convertible Noteholders under the Offers.

The Offers are made available to all Independent Shareholders and Convertible Noteholders, including those who are residents outside Hong Kong. The availability of the Offers to persons not residing in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the applicable laws or regulations of the relevant jurisdictions. The Overseas Shareholders and Overseas Convertible Noteholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

APPENDIX I FURTHER TERMS AND PROCEDURES OF ACCEPTANCE OF THE OFFERS

Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibilities, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Share Offers and Convertible Notes Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due from such persons in such jurisdictions.

Any acceptance by the Independent Shareholders, the Convertible Noteholders and the beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders and Convertible Noteholders should consult their respective professional advisers if in doubt. Independent Shareholders and Convertible Noteholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

- (f) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or the principal amount of the Convertible Notes in respect of which as indicated in the Forms of Acceptance is the aggregate number of Shares or principal amount of Convertible Notes held by such nominee for such beneficial owner who is accepting the Offers.
- (g) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension and/or revision thereof.
- (h) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.
- (i) In making their decisions, the Independent Shareholders and Convertible Noteholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, parties acting in concert with the Offeror, the Company, the Independent Financial Adviser, Kingston Securities, Donvex Capital, the Registrar or (as the case may be) any of their respective ultimate beneficial owners, directors, officers, agents or

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associates or any other persons involved in the Offers. The Independent Shareholders and Convertible Noteholders should consult their own professional advisers for professional advice.

- (j) The Offers are made in accordance with the Takeovers Code.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2021, 2022 and 2023 as extracted from the annual report of the Company for the years ended 31 December 2021, 2022 and 2023, and the unaudited consolidated financial results of the Group of the six months ended 30 June 2023 and 2024 as extracted from the interim report of the Company for the six months ended 30 June 2023 and 2024.

	For the years ended 31 December			For the six months ended 30 June	
	2021 HK'000 (Audited)	2022 HK'000 (Audited)	2023 HK'000 (Audited)	2023 HK'000 (Unaudited)	2024 HK'000 (Unaudited)
Revenue	515,907	451,115	246,531	115,611	100,511
Cost of sales	(419,363)	(345,518)	(208,975)	(98,175)	(83,700)
Gross profit	96,544	105,597	37,556	17,436	16,811
Other income	1,785	1,186	75	302	118
Other losses, net	1,131	(10,854)	475	(1,365)	(9,263)
Impairment loss recognised on non-financial assets	—	—	(21,570)	—	—
Impairment losses recognised under expected credit loss model, net of reversal	(6,123)	(34,928)	(6,241)	—	—
Selling and distribution expenses	(73,883)	(80,569)	(46,480)	(23,347)	(20,927)
Administrative expenses	(32,336)	(29,398)	(23,977)	(11,880)	(9,861)
Other expenses	(4,117)	(485)	(2,101)	(73)	(745)
Finance costs	(2,767)	(3,129)	(1,624)	(1,055)	(592)
Loss before tax	(19,766)	(52,580)	(63,887)	(19,982)	(24,459)
Income tax (expense)/credit	(8,358)	7,196	(375)	1,061	5,360
Loss for the period	(28,124)	(45,384)	(64,262)	(18,921)	(19,099)
Loss for the year/period attributable to:					
Owners of the Company	(24,744)	(37,385)	(45,146)	(13,569)	(13,926)
Non-controlling interests	(3,380)	(7,999)	(19,116)	(5,352)	(5,173)
	(28,124)	(45,384)	(64,262)	(18,921)	(19,099)
Loss per share (HK cents)	(13.78)	(20.82)	(25.14)	(7.56)	(7.75)

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	For the years ended 31 December			For the six months ended 30 June	
	2021 HK\$'000 (Audited)	2022 HK\$'000 (Audited)	2023 HK\$'000 (Audited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Loss for the year/period	(28,124)	(45,384)	(64,262)	(18,921)	(19,099)
Other comprehensive loss					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	7,880	(11,724)	(4,934)	(7,725)	(2,260)
<i>Items that will not be reclassified to profit or loss</i>					
Gain/(loss) on revaluation of property, plant and equipment	(890)	11,209	1,914	—	—
Tax effect of revaluation of items of property, plant and equipment	221	(2,802)	(479)	—	—
Other comprehensive income/(loss) for the year/period, net of tax	<u>7,211</u>	<u>(3,317)</u>	<u>(3,499)</u>	<u>(7,725)</u>	<u>(2,260)</u>
Total comprehensive loss for the period	<u>(20,913)</u>	<u>(48,701)</u>	<u>(67,761)</u>	<u>(26,646)</u>	<u>(21,359)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company	(19,519)	(40,673)	(47,824)	(19,230)	(15,643)
Non-controlling interests	(1,394)	(8,028)	(19,937)	(7,416)	(5,716)
	<u>(20,913)</u>	<u>(48,701)</u>	<u>(67,761)</u>	<u>(26,646)</u>	<u>(21,359)</u>

No dividend has been declared nor paid by the Group for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

Save as disclosed above, the Group did not have any item of income or expense which was material for each of the three years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024.

The Company's auditors, Elite Partners CPA Limited, have not issued any qualified opinion modified opinion, emphasis of matter or material uncertainty related to going concern on the Group's financial statements for each of the three years ended 31 December 2021, 2022 and 2023.

There was no change in the Group's accounting policy during the three years ended 31 December 2021, 2022 and 2023 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

2. CONSOLIDATED FINANCIAL STATEMENTS

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

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 are set out from page 5 to page 28 in the interim report of the Company for the six months ended 30 June 2024, which was published on 6 September 2024. The interim report of the Company for the six months ended 30 June 2024 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0906/2024090600337.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2023 are set out from page 35 to page 100 in the annual report of the Company for the year ended 31 December 2023, which was published on 24 April 2024. The annual report of the Company for the year ended 31 December 2023 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501470.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2022 are set out from page 34 to page 104 in the annual report of the Company for the year ended 31 December 2023, which was published on 25 April 2023. The annual report of the Company for the year ended 31 December 2023 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501855.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2021 are set out from page 34 to page 108 in the annual report of the Company for the year ended 31 December 2021, which was published on 12 May 2022. The annual report of the Company for the year ended 31 December 2021 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0512/2022051200795.pdf>

3. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 September 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

(i) Bank and other borrowings

As at 30 September 2024, the Group had total bank and other borrowings of approximately HK\$37.1 million.

Bank borrowings of RMB13.0 million (equivalent to approximately HK\$14.3 million) were secured by certain buildings held by a subsidiary of the Group and guaranteed by the directors and non-controlling shareholders of a subsidiary of the Group.

Other borrowings include: (1) a borrowing amount of approximately RMB17.9 million (equivalent to HK\$19.8 million) which were secured by certain buildings, plant and machineries held by a subsidiary of the Group and guaranteed by the directors and non-controlling shareholders of a subsidiary of the Group, and (2) an unsecured bond issued with principal amount of HK\$3 million which will be due in 2025.

(ii) Lease liabilities

As at 30 September 2024, the Group had lease liabilities of approximately HK\$1.7 million.

(iii) Capital commitments

As at 30 September 2024, the Group did not have any capital commitments.

(iv) Amounts due to a shareholder and a non-controlling shareholder

As at 30 September 2024, the Group had an amount due to a shareholder of approximately HK\$22.7 million and an amount due to a non-controlling shareholder of approximately RMB434,000 (equivalent to approximately HK\$480,000). The balances of amount due to a shareholder and the amount due to a non-controlling shareholder are unsecured, interest-free and repayable on demand.

(v) Contingent liabilities

As at 30 September 2024, the Company had the following litigations:

Reference is made to the section headed “7. Litigation” in the Appendix III to this Composite Document in relation to the litigations in respect of the Company as plaintiff and Xiao Guang Kevin and Wang Zhining as the defendants.

Pleadings had been amended on 16 September 2022, in that the Defendants had belatedly lodged counterclaims, in the total amount of HK\$262,000,000, against the Plaintiffs.

According to the Company’s counsel’s legal opinion dated 31 March 2023 which is updated on 26 March 2024, the counterclaims, which may be disallowed, be recognised as contingent liability on the following groundings:

- (a) the counterclaims belatedly raised recently so that it may be time-barred and/or is an abuse of process of the court; and
- (b) the counterclaims may be dismissed because of the breaches, which are supported by an independent professional adviser’s investigation report dated 24 July 2015, and misrepresentations made by the Defendants as stated in the Amended Statement of Claim.

Save as disclosed above, there are no other bank overdrafts, loans, similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities of the Company and any of its subsidiaries.

For details of the Group’s litigation, please refer to the section headed “7. Litigation” in the Appendix III to this Composite Document.

4. MATERIAL CHANGES

The Directors confirmed that, save and except as disclosed below, there has been no material changes in the financial or trading position or outlook of the Group since 31 December 2023, (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to and including the Latest Practicable Date.

- (i) as disclosed in the interim report of the Company for the six months ended 30 June 2024, the other losses, net of the Group increased from approximately HK\$1.4 million for the six months ended 30 June 2023 to approximately HK\$9.3 million for the six months ended 30 June 2024, representing an increase of approximately 578.6% as compared to that for the six months ended 30 June 2023. Such increase in the other losses, net was mainly driven by the increase in loss on disposal of property, plant and equipment caused by the compliance with environmental requirements, part of the production facilities have to be relocated or re-arranged;
- (ii) as disclosed in the interim report of the Company for the six months ended 30 June 2024, the income tax credit increased from approximately HK\$1.1 million for the six months ended 30 June 2023 to approximately HK\$5.4 million for the six months ended

30 June 2024, representing an increase of approximately 405.2% as compared to that for the six months ended 30 June 2023. Such increase in the income tax credit was mainly driven by the write-off of a long-outstanding tax payable that had been previously recognized. With the expiration of the statute of limitations for collection, the tax payable had been recorded that, over time, has become unlikely to be enforced or reclaimed by the corresponding tax authority;

- (iii) as disclosed in the interim report of the Company for the six months ended 30 June 2024, the cash and cash equivalents decreased from approximately HK\$27.7 million as at 31 December 2023 to approximately HK\$7.3 million as at 30 June 2024, representing a decrease of approximately 73.5% as compared to that as at 31 December 2023. Such decrease in cash and cash equivalents was mainly due to the net cash used in operating activities of approximately HK\$29.7 million for the six months ended 30 June 2024 causing mainly by the net loss for the period of approximately HK\$19.1 million;
- (iv) as disclosed in the interim report of the Company for the six months ended 30 June 2024, the tax payables decreased from approximately HK\$6.2 million as at 31 December 2023 to approximately HK\$0.7 million as at 30 June 2024, representing a decrease of approximately 88.2% as compared to that as at 31 December 2023. Such decrease in tax payables was mainly due to the write-off of a long-outstanding tax payable that had been previously recognized. With the expiration of the statute of limitations for collection, the tax payable had been recorded that, over time, has become unlikely to be enforced or reclaimed by the corresponding tax authority; and
- (v) as disclosed in the interim report of the Company for the six months ended 30 June 2024, the interest-bearing borrowings increased from approximately HK\$18.5 million as at 31 December 2023 to approximately HK\$39.2 million as at 30 June 2024, representing an increase of approximately 111.7% as compared to that as at 31 December 2023. Such increase in interest-bearing borrowings was mainly because the Company's subsidiary has obtained new interest-bearing borrowings during the six months ended 30 June 2024.

1. RESPONSIBILITY STATEMENTS

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders and the Convertible Noteholders with regard to the Company and the Offers.

As at the Latest Practicable Date, the Board comprised one executive Director, namely 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. Yu Shui Sang Bernard, Mr. Wong Yue Kwan Alan. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it except for those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Offeror) in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.1 each as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>10,000,000,000 Shares</u>	<u>1,000,000,000</u>
 <i>Issued</i>	
<u>215,520,000 Shares</u>	<u>21,552,000</u>

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

As at the Latest Practicable Date, (i) the outstanding Convertible Notes had a principal amount of HK\$15,000,000 conferring rights to holder(s) to convert into 1,639,344 new conversion Shares; and (ii) the outstanding Convertible Bonds had a principal amount of HK\$30,000,000 conferring rights to holder(s) to convert into 300,000,000 new conversion Shares. Save for the Convertible Notes and the Convertible Bonds, the Company has no outstanding options, warrants,

derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or conversion rights affecting any Shares as at the Latest Practicable Date.

Save for the issue of the Subscription Shares, as at the Latest Practicable Date, no new Shares had been issued by the Company since 31 December 2023 (being the date to which its latest published audited financial statements were prepared).

3. MARKET PRICES

The table below sets out the closing price of the Shares as quoted on the Stock Exchange on (1) the last business day of each of the calendar months during the Relevant Period, (2) the Last Trading Day, and (3) the Latest Practicable Date:

Date	Closing price of each Share (HK\$)
28 March 2024	0.073
30 April 2024	0.084
31 May 2024	0.085
28 June 2024	0.071
31 July 2024	0.060
30 August 2024	0.051
5 September 2024 (Last Trading Day)	0.051
30 September 2024	0.190
31 October 2024	0.590
29 November 2024	0.690
3 December 2024 (the Latest Practicable Date)	0.670

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.780 per Share (on 21 October 2024) and HK\$0.05 per Share (on 19 August 2024), respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interest in shares, underlying shares and debentures

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO, the interests or long positions of persons in the Shares and underlying Shares of the Company were as follows:

Name	Capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
The Offeror (<i>Note 1</i>)	Beneficial owner	109,613,706	50.86%
	Beneficial owner (<i>Note 2</i>)	300,000,000	139.19%
Business Century Investments Limited (<i>Note 3</i>)	Beneficial owner	12,873,166	5.97%

Name	Capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
Everun Oil Co., Limited (Note 4)	Beneficial owner	17,316,200	8.03%

Notes:

1. The 109,613,706 Shares are beneficially held by the Offeror. Pursuant to a sale and purchase agreement dated 6 September 2024 entered into between Mr. Chim and Mr. Chim Sai Yau Oscar, the entire issued shareholding in the Offeror was transferred from Mr. Chim Sai Yau Oscar to Mr. Chim on 6 September 2024. As Mr. Chim is the legal and beneficial owner of all issued shares of the Offeror as at the Latest Practicable Date, Mr. Chim is deemed to be interested in all the Shares held by the Subscriber by virtue of Part XV of the SFO. Mr. Chim Sai Yau Oscar, a grandchild of Mr. Chim, being a party acting in concert with Mr. Chim pursuant to a concert party agreement dated 6 September 2024 entered into between them, is also deemed to be interested in all the Shares held by the Subscriber by virtue of Part XV of the SFO.
2. The 300,000,000 Shares represented the underlying Shares of 300,000,000 upon the conversion of the Conversion Bonds in full.
3. The 12,873,166 Shares are beneficially held by Business Century Investments Limited. As Ms. Xie Guilin is the legal and beneficial owner of all issued shares of Business Century Investments Limited, Ms. Xie Guilin is deemed to be interested in all the Shares held by Business Century Investments Limited by virtue of Part XV of the SFO.
4. The 17,316,200 Shares are beneficially held by Everun Oil Co., Limited. As Mr. Chen Jingan is the legal and beneficial owner of all issued shares of Everun Oil Co., Limited, Mr. Chen Jingan is deemed to be interested in all the Shares held by Everun Oil Co., Limited by virtue of Part XV of the SFO.

5. DEALING IN SECURITIES OF THE COMPANY

As at the Latest Practicable Date:

- (a) none of the Directors have any dealing in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares during the Relevant Period;
- (b) none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror during the Relevant Period;

- (c) none of the subsidiaries of the Company or the pension funds of the Company or any member of the Group or any persons who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) had owned or controlled, or had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and no person who had such an arrangement had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares during the Relevant Period;
- (e) during the Offer Period and up to the Latest Practicable Date, no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (f) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;
- (g) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers; and
- (h) there is no understanding, arrangement or agreement or special deal between any Shareholders, the Offeror and any parties acting in concert with it on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (c) no material contracts had been entered into by the Offeror or any party acting in concert with it in which any Directors had any a material personal interest.

7. LITIGATION

As at the Latest Practicable Date, the Company or its subsidiaries were involved in the following material legal proceedings:

A. The Company or its subsidiaries as the plaintiff

By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the “**Plaintiffs**”) against Xiao Guang Kevin (蕭光) (“**Mr. Xiao**”) and Wang Zhining (王志寧) (“**Mr. Wang**”) (collectively, the “**Defendants**”), the vendor and the guarantor, respectively, all of whom were parties to a very substantial acquisition of the Company (the “**VSA**”) as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claimed that the Defendants had fundamentally breached the terms and conditions of the SPA (the “**SPA Legal Proceedings**”). Accordingly, the Plaintiffs were seeking to rescind the SPA under which, as part of the consideration price, certain Convertible Notes were issued by the Company to Mr. Xiao. As at 30 June 2024, the outstanding Convertible Notes, with principal amount of HK\$15,000,000, were under dispute.

On 16 March 2017, the Plaintiffs filed an Amended Statement of Claim to the Court of First Instance adding Ms. Liu Qian (劉倩) (“**Ms. Liu**”) as a defendant to the SPA Legal Proceedings claiming, amongst other things, that Ms. Liu was a nominee of Mr. Wang and further claimed against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of Wang Tian (王天) which had led to the Group’s involvement in such litigation.

Pleadings had been amended on 16 September 2022, in that the Defendants had belatedly lodged counterclaims, as mentioned in Note 17 under the section of “Contingent Liabilities”, against the Plaintiffs. The Plaintiffs accordingly prepared a defence to such counterclaims which was also filed on 17 November 2022.

In early 2023, Ms. Liu had requested to discontinue her claims against the Company provided that the Plaintiffs discontinued their claims against Ms. Liu upon the receipt of the Convertible Notes with principal amount of HK\$15,000,000 by the Company’s solicitors from Ms. Liu’s solicitors. According to the consent order dated 21 June 2023, the Plaintiffs’ claims against Ms. Liu was dismissed with no order as to costs.

B. The Company’s subsidiaries as the defendant

- (i) Reference was made to the Company’s announcement dated 11 November 2016 and the annual report of the Company for the year ended 31 December 2023 in relation to the legal proceedings involving 寇金水 (Kou Jinshui) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.) (“**Zhuhai Hechuan**”), independent third parties, as Plaintiffs and Zhuhai Hoston, an indirectly non-wholly owned subsidiary of the Company, as defendant. Upon the application of Kou Jinshui, who was also the legal representative of Zhuhai Hechuan, Zhuhai Hoston’s 70% equity interest in Guangdong Hengjia was suspended for the three years from 23 August 2022 to 22 August 2025 (the “**Frozen Shares**”) by the Xiangzhou People’s Court (the “**Xiangzhou Court**”) pursuant to an execution order dated 9 August 2022. On 10 April 2023, it was held by the Xiangzhou Court that the suspended equity interest in Guangdong Hengjia be reduced from 70% to 50%.

As at 30 June 2024, the total outstanding amounts including interest due by Zhuhai Hoston to Kou Jinshui and Zhuhai Hechuan were approximately RMB2,100,000 and RMB4,400,000 respectively. The freezing of the Frozen Shares is only an assets preservation measure by litigants in pending lawsuits. Nevertheless, the Group retains to have control and ownership in such Frozen Shares and there will not have material impact on the operations of Guangdong Hengjia. As at the Latest Practicable Date, the Frozen Shares are still in force pending the repayment of the outstanding debts that will be handled as soon as possible.

- (ii) Reference was made to the Company’s announcement dated 12 December 2022, Sunway Financial Management Limited (“**Sunway FM**”), an indirectly wholly-owned subsidiary of the Company, received a statutory demand (the “**First Statutory Demand**”) on 9 December 2022 from Messrs. Gallant, a solicitors firm previously acting for Sunway FM, pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and

Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of approximately HK\$958,000, being the outstanding fees and relevant interest incurred due and owed by Sunway FM for legal services previously provided.

The Board of the Company announces that on 15 November 2023, Sunway FM received a statutory demand (the “**Second Statutory Demand**”) from Messrs. Gallant pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), demanding Sunway FM to pay an amount of approximately HK\$754,000 (the “**Revised Outstanding Fees**”), being the outstanding fees due and owed by Sunway FM for legal services previously provided. The amount claimed under the Second Statutory Demand represents the revised claim amount under the First Statutory Demand as disclosed in the announcement of the Company dated 12 December 2022.

The Second Statutory Demand requested Sunway FM to settle the Revised Outstanding Fees within three weeks from the date of receipt of the Second Statutory Demand, failing which Messrs. Gallant may present a winding-up petition against Sunway FM. Given the Revised Outstanding Fees are in dispute, the Group is now seeking legal advice in respect of the said claim under the Second Statutory Demand.

C. Sunway FM as the plaintiff

Reference was made to the Company’s announcement dated 20 January 2020 in relation to provision of financial assistance and announcement dated 12 August 2020 in relation to clarification on audited annual results announcement, despite the issue of legal demand letters in August 2019, the six borrowers (and their guarantors, if applicable)(the “**Loan Debtors**”) had failed to settle any outstanding loans and interests as at 31 December 2019. As a result, Sunway FM had taken the following legal proceedings against the Loan Debtors:

(a) Huali Capital Investment Holding Co., Limited (“Huali Capital”)

- (i) In respect of the loan advanced to Huali Capital (a company registered in Hong Kong), which was guaranteed by Tailor Wealth Group Limited (“**Tailor Wealth**”) (a company registered in the BVI), a Writ of Summons against Huali Capital had been issued by the High Court of Hong Kong under the action no. HCA 746/2020 on 21 May 2020 and it had been served upon Huali Capital at its registered office on 1 June 2020. Although judgment in default had been obtained on 18 August 2020 (the “**Judgment**”), Huali Capital had failed to satisfy the Judgment, a statutory demand was served on Huali Capital on 7 October 2020. Sunway FM filed a petition for winding up against Huali Capital on 18 November 2020. On 17 February 2021, a Winding Up Order was granted

by the Court. Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung of RSM Corporate Advisory (Hong Kong) Limited were appointed as the Joint and Several Provisional Liquidators on 17 February 2021 and they had been investigating the assets and liabilities of Huali Capital.

- (ii) In respect of the guarantor Tailor Wealth, legal advice had been obtained from a BVI legal firm, namely Appleby, to take legal action against Tailor Wealth. A Winding Up Order was made on 18 January 2021 and it was ordered that Tailor Wealth be liquidated by the Court. Mr. Matthew Richardson of Grant Thornton (British Virgin Islands) Limited, a licensed insolvency practitioner in BVI and Mr. David Bennett of Grant Thornton Recovery & Reorganisation Limited in Hong Kong had been appointed as Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Tailor Wealth.

(b) Mei Rui Group Limited (“Mei Rui”)

In respect of the loan advanced to Mei Rui (a company registered in the BVI), legal advice had been obtained from Appleby to take legal action against Mei Rui. A Winding Up Order was made on 18 January 2021 and it was ordered that Mei Rui be liquidated by the Court. Mr. Matthew Richardson and Mr. David Bennett had been appointed as the Joint Liquidators.

Upon Mei Rui’s request, the Joint Liquidators were informed to withhold the liquidation procedure until further notice as the parties had negotiated the settlement terms on repayment of indebtedness but there was no further progress.

(c) Shenzhen Siping Investment Company Limited (“Shenzhen Siping”)

In respect of the loan advanced to Shenzhen Siping (a company incorporated in the PRC), legal advice had been obtained from a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal actions against Shenzhen Siping and 鄭肇宏 (“Mr. Zheng”), the director of Shenzhen Siping, for the recovery of the outstanding loan receivables in August 2020. Sunway FM had applied to withdraw the claim against Shenzhen Siping and Mr. Zheng on the ground that there was insufficient evidence to proceed with the claim. Sunway FM had been refunded of part of the costs of the legal action from Shenzhen Qianhai Cooperation Zone People’s Court.

(d) *Charmate Development Limited* (“**Charmate**”)

- (i) In respect of the loans advanced to Charmate (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo 陳志國 (“**Mr. Chen**”) (being a Chinese national), legal advice had been obtained from Appleby to take legal action against Charmate. A Winding Up Order was made on 18 January 2021 and it was ordered that Charmate be liquidated by the Court. Mr. Matthew Richardson and Mr. David Bennett had been appointed as the Joint Liquidators. The Joint Liquidators reported that they were yet to receive a response from a number of the parties identified and contacted previously. From the records and information received, there was no evidence of any assets held by Charmate.
- (ii) Legal action for the recovery of outstanding loan receivables from Mr. Chen, the guarantor, had been commenced in Fujian Putian Intermediate People’s Court (the “**FPIP Court**”). Zhuoxin Law Firm, Sunway FM’s PRC legal representative, and Mr. Chen’s legal representative attended a hearing on 26 October 2021, in which both parties had submitted evidence. The FPIP Court held that Mr. Chen was liable to refund the outstanding loan principal, interest accrued thereon and the relevant legal and professional fees to Sunway FM (the “**First Judgement**”). According to Fujian Provincial Higher People’s Court’s judgement dated 30 May 2022, the First Judgement was confirmed and this should be the final decision.

As Mr. Chen had not followed the instruction of the First Judgement, his bank accounts, current assets and fixed assets were frozen for one year, two years and three years respectively by the FPIP Court pursuant to an execution order dated 27 October 2022 so as to attempt to fulfill the obligations as laid down by the First Judgement.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts, not being contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by any member of the Group within two years before the commencement of the Offer Period up to and including the Latest Practicable Date and is or may be material:

- (a) the Share Subscription Agreement; and

- (b) the CB Subscription Agreement.

Save for the contracts disclosed above, there was no other material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by the members of the Group within two years before the Offer Period and up to the Latest Practicable Date.

9. EXPERT AND CONSENT

The following are the qualifications of the expert who had been engaged by the Company and who has given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualifications
Dakin Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Dakin Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which: (a) had been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period; (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

11. GENERAL

- (a) As at the Latest Practicable Date, the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) As at the Latest Practicable Date, the principal place of business of the Company in Hong Kong is at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong.

- (c) As at the Latest Practicable Date, the share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) As at the Latest Practicable Date, the registered office of the Independent Financial Adviser is at Suite 3111A, 31/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.
- (e) The English texts of this Composite Document and the Forms of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available on display (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.hk0058.com>; and (iii) at the office of the Company at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong, during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2021, 2022 and 2023;
- (c) the interim report of the Company for the six months ended 30 June 2024;
- (d) the letter from the Board, the text of which is set out in this Composite Document;
- (e) the letter from the Takeovers Code Independent Board Committee, the text of which is set out in this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (g) the written consent referred to in the paragraph headed “9. Expert and Consent” in this Appendix; and
- (h) the material contracts referred to in the paragraph headed “8. Material Contracts” in this Appendix.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders and the Convertible Noteholders with regards to the Group and the Offers.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

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

Name	Capacity	Number of Shares or underlying Shares held	Approximate percentage of shareholding
The Offeror (<i>Note 1</i>)	Beneficial owner	109,613,706	50.86%
	Beneficial owner (<i>Note 2</i>)	300,000,000	139.19%

Notes:

- The 109,613,706 Shares are beneficially held by the Offeror. Pursuant to a sale and purchase agreement dated 6 September 2024 entered into between Mr. Chim and Mr. Chim Sai Yau Oscar, the entire issued shareholding in the Offeror was transferred from Mr. Chim Sai Yau Oscar to Mr. Chim on 6 September 2024. As Mr. Chim is the legal and beneficial owner of all issued shares of the Offeror as at the Latest Practicable Date, Mr. Chim is deemed to be interested in all the Shares held by the Subscriber by virtue of Part XV of the SFO. Mr. Chim Sai Yau Oscar, a grandchild of Mr. Chim, being a party acting in concert with Mr. Chim pursuant to a concert party agreement dated 6 September 2024 entered into between them, is also deemed to be interested in all the Shares held by the Subscriber by virtue of Part XV of the SFO.
- The 300,000,000 Shares represented the underlying Shares of 300,000,000 upon the conversion of the Conversion Bonds in full.

3. DEALINGS OF SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period, save for the dealings in the Shares by Kingston Securities which are conducted in the normal course of business for and on behalf of its non-discretionary clients, and save for the Share Subscription and CB Subscription, the Offeror and parties acting in concert with it had not dealt for value in or owned or controlled any Shares, options, derivatives, warrants or other securities convertible into Shares.

4. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

The Offeror confirms that as at the Latest Practicable Date:

- (i) save for the Share Subscription Agreement and the CB Subscription Agreement, and excluding the 109,613,706 Shares and the Convertible Bonds already owned by the Offeror and parties acting in concert with it, none of the Offeror and parties acting in concert with it and the sole director of the Offeror has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares during the period commencing six months preceding the date of the Joint announcement and up to the date of the Latest Practicable Date;
- (ii) save for 109,613,706 Shares and the Convertible Bonds with the principal amount of HK\$30,000,000 convertible into 300,000,000 new Shares held by the Offeror and the parties acting in concert with it, the Offeror and the parties acting in concert with it do not own, hold, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (iii) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares;
- (v) there is no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Offers;

- (vi) none of the Offeror and parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offers;
- (vii) other than the consideration paid by the Offeror to the Company under the Share Subscription Agreement and the CB Subscription Agreement, there is no other consideration, compensation or benefits paid by or to be paid by the Offeror and parties acting in concert with it;
- (viii) save for the Share Subscription Agreement and the CB Subscription Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on the one hand, and the Company, its subsidiaries and any parties acting in concert with any of them on the other hand;
- (ix) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on the one hand, and the Shareholders on the other hand;
- (x) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and any party acting in concert with it, or (b) the Company, its subsidiaries or associated companies;
- (xi) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons; and
- (xii) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between any of the Offeror or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence of the Offers.

5. QUALIFICATIONS AND CONSENTS OF EXPERT

In addition to those listed in paragraph 9 of Appendix III “General Information of the Group” to this Composite Document, the following is the qualification of the expert who has given it opinion and advice which are contained in this Composite Document:

Name	Qualification
Donvex Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	A corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO

The above experts have given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which it appears herein.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. MISCELLANEOUS

- (i) As at the Latest Practicable Date, the Offeror is wholly owned by Mr. Chim. Mr. Chim is the sole director of the Offeror.
- (ii) The registered office of the Offeror is situated at Room 1705, 17/F, Tower II, Admiralty Centre, 18 Harcourt Road.
- (iii) Kingston Securities is the offer agent making the Offers for and on behalf of the Offeror and its registered office is 72/F, The Center, 99 Queen’s Road Central, Central, Hong Kong.
- (iv) Donvex Capital is the financial adviser to the Offeror and its registered office is situated at Unit 2502, 25/F, Carpo Commercial Building, 18–20 Lyndhurst Terrace, Central, Hong Kong.
- (v) In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts.

7. DOCUMENTS ON DISPLAY

Copies of the following documents are available on display (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.hk0058.com>; and (iii) at the office of the Company at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong, during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Donvex Capital, the text of which is set out in this Composite Document;
- (c) the written consents as referred to in the paragraph headed “4. Qualifications and consents of expert” in this Appendix IV “General information of the Offeror”; and
- (d) this Composite Document and the accompanying Form of Acceptances.