

13 April 2023

*To the Independent Board Committee*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS  
BY KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF MILLION TREASURE INTERNATIONAL  
HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND  
OUTSTANDING WARRANTS OF GT STEEL CONSTRUCTION  
GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY MILLION TREASURE INTERNATIONAL  
HOLDINGS LIMITED AND PARTIES ACTING  
IN CONCERT WITH IT)**

## INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Composite Document dated 13 April 2023 jointly issued by the Company and the Offeror to the Shareholders and Warrant Holders, of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

An Independent Board Committee, comprising Ms. Lin Xiaoqin, being the non-executive Director, and Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee and Mr. Tan Yeok Lim (Chen Yulin), being all the independent non-executive Directors, who have no direct or indirect interest in the Offers, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders and the Independent Warrant Holders as to (i) whether the Offers are fair and reasonable, and (ii) the acceptance of the Offers.

We, Ample Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Ample Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

## **OUR INDEPENDENCE**

Aside from our engagement as the Independent Financial Adviser, we have not provided any other services to the Group or any member of the Offeror Concert Party Group in the last two years prior to the Latest Practicable Date and there is no relationships or interests between us and the Group, the Offeror, and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser. We are independent from, and are not associated with the Company, the Group, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of the above, or any company 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 Independent Board Committee, no arrangement exists whereby we will receive any fees 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. As such, we are considered eligible to give independent advice pursuant to Rule 2.6 of the Takeovers Code and Rule 17.96 of the GEM Listing Rules.

## **BASIS OF ADVICE**

In formulating our advice and recommendation, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual report of the Group for the financial year ended 31 December 2022 (the “**2022 Annual Report**”); the interim report of the Group for the six months ended 30 June 2022 (the “**2022 Interim Report**”); the third quarterly report of the Group for the nine months ended 30 September 2022 (the “**2022 Q3 Report**”), the Composite Document, and relevant announcements published by the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to date throughout the Offer Period and should there be any material changes thereto, or any change to our opinion, Shareholders and Warrant Holders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after enquiries and careful consideration.

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

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offers, we have considered the following principal factors and reasons:

### A. BACKGROUND INFORMATION

#### 1. *Information on the Group*

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares and Warrants have been listed on GEM (stock code: 8402 and warrant code: 8209). The Company is an investment holding company and its operating subsidiaries are engaged in the designing, supplying, fabricating and erecting structural steel-works for the construction of buildings, including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings and provision of pre-fabricated steel structures or on-site installation services in Singapore.

#### a) *Historical financial information of the Group*

Set out below are extracts of financial information of the Group for each of the years ended 31 December 2021 (“FY2021”) and 31 December 2022 (“FY2022”) as extracted from the 2022 Annual Report, for each of the six months ended 30 June 2021 (“6M2021”) and 30 June 2022 (“6M2022”) as extracted from the 2022 Interim Report, and for each of the nine months ended 30 September 2021 (“9M2021”) and 30 September 2022 (“9M2022”) as extracted from the 2022 Q3 Report<sup>1</sup>.

	<b>FY2022</b> (audited) S\$	<b>FY2021</b> (audited) S\$	<b>FY2022</b> (audited) HK\$	<b>FY2021</b> (audited) HK\$
Revenue	9,386,895	12,749,956	53,223,695	72,292,251
Gross (loss)	(2,980,230)	(5,508,843)	(16,897,904)	(31,235,140)
Net loss for the year	(6,764,552)	(9,554,809)	(38,355,010)	(54,175,767)

<sup>1</sup> For illustrative purpose, the exchange rate of S\$ into HK\$ at S\$1 = HK\$5.67 has been used in this letter of advice, which represents the approximate average exchange rate for the twelve months ended 31 December 2022 as published by The Hong Kong Association of Banks.

	<b>9M2022</b> (unaudited) S\$	<b>9M2021</b> (unaudited) S\$	<b>9M2022</b> (unaudited) HK\$	<b>9M2021</b> (unaudited) HK\$
Revenue	6,017,105	14,903,404	34,116,985	84,502,301
Gross (loss)	(2,391,900)	(1,516,011)	(13,562,073)	(8,595,782)
Net loss for the period	(5,005,422)	(4,327,388)	(28,380,743)	(24,536,290)

	<b>6M2022</b> (unaudited) S\$	<b>6M2021</b> (unaudited) S\$	<b>6M2022</b> (unaudited) HK\$	<b>6M2021</b> (unaudited) HK\$
Revenue	3,643,399	13,953,017	20,658,072	79,113,606
Gross (loss)	(2,204,466)	(34,064)	(12,499,322)	(193,143)
Net loss for the period	(3,942,858)	(2,099,535)	(22,356,005)	(11,904,363)

	<b>As at</b> <b>31 December</b> <b>2022</b> (audited) S\$	<b>As at</b> <b>31 December</b> <b>2021</b> (audited) S\$	<b>As at</b> <b>31 December</b> <b>2022</b> (audited) HK\$	<b>As at</b> <b>31 December</b> <b>2021</b> (audited) HK\$
Current assets	12,182,702	18,340,316	69,075,920	103,989,592
Non-current assets	5,829,714	6,831,079	33,054,478	38,732,218
Total asset	18,012,416	25,171,395	102,130,399	142,721,810
Current liabilities	6,350,646	3,849,137	36,008,163	21,824,607
Non-current liabilities	508,083	3,401,883	2,880,831	19,288,677
Total liability	6,858,729	7,251,020	38,888,993	41,113,283
Net current asset	5,832,056	14,491,179	33,067,758	82,164,985
Equity attributable to owners of the Company	11,153,687	17,920,375	63,241,405	101,608,526

	<b>As at</b> <b>30 June</b> <b>2022</b> (unaudited) S\$	<b>As at</b> <b>30 June</b> <b>2022</b> (unaudited) HK\$
Current assets	14,430,865	81,823,005
Non-current assets	6,141,004	34,819,493
Total asset	20,571,869	116,642,497
Current liabilities	3,548,245	20,118,549
Non-current liabilities	3,085,099	17,492,511
Total liability	6,633,344	37,611,060
Net current asset	10,882,620	61,704,455
Equity attributable to owners of the Company	13,938,525	79,031,437

FY2022 vs FY2021, and FY2022's financial position vs FY2021 and 6M2022

Based on the table above and the 2022 Annual Report, the Group's revenue decreased for approximately 26.4% from approximately S\$12.7 million (equivalent to approximately HK\$72.3 million) for FY2021 to approximately S\$9.4 million (equivalent to approximately HK\$53.2 million) for FY2022, mainly due to a decrease in provision of structural steel works resulted from new projects coming in at a slower pace.

The Group remained to be loss-making in FY2022 and recorded a decrease in gross loss of approximately S\$2.5 million (equivalent to approximately HK\$14.3 million) or representing decrease by approximately 45.9% from gross loss of S\$5.5 million (equivalent to approximately HK\$31.2 million) for FY2021 to a gross loss of approximately S\$3.0 million (equivalent to approximately HK\$16.9 million) for FY2022. The decrease in gross loss for FY2022 was mainly due to the decrease in the subcontractor costs by approximately 57.2% from approximately S\$9.6 million (equivalent to approximately HK\$54.2 million) for FY2021 to approximately S\$4.1 million (equivalent to approximately HK\$23.2 million) for FY2022.

The Group's net loss decreased by approximately 29.2% from approximately S\$9.6 million (equivalent to approximately HK\$54.2 million) for FY2021 to approximately S\$6.8 million (equivalent to approximately HK\$38.4 million) for FY2022. The decrease in net loss for FY2022 was in line with the decrease in gross loss for FY2022. The net loss for FY2022 was mainly contributed by (i) the decrease in revenue as discussed above; (ii) fluctuation of the price of steel due to changes in market supply and demand, which is driven by factors such as global economic conditions and the production capacities of steel mill; and (iii) higher subcontractor costs due to staggering start times and implementation of shift for the social distance safety purpose due to the Covid-19 pandemic.

As at 31 December 2022, the Group had net current assets of approximately S\$5.8 million (equivalent to approximately HK\$33.1 million) which mainly comprise contract assets of approximately S\$4.2 million (equivalent to approximately HK\$24.1 million) and bank balances and cash of approximately S\$4.7million (equivalent to approximately HK\$26.6 million). The Group had total liabilities of approximately S\$6.9 million (equivalent to approximately HK\$38.9 million) and total assets of approximately S\$18.0 million (equivalent to approximately HK\$102.1 million) as at 31 December 2022.

When comparing the financial position between 31 December 2022 and 30 June 2022, the Group's financial position as at 31 December 2022 weakened, which was mainly contributed by (i) a decrease in current asset from approximately S\$14.4 million (equivalent to approximately HK\$81.8 million) as at 30 June 2022 to approximately S\$12.2 million (equivalent to approximately HK\$69.1 million) as at 31 December 2022, which was mainly due to the decrease in trade receivables and bank balances and cash resulted from the decrease in revenue; and (ii) an increase in current liabilities from approximately S\$3.5 million (equivalent to approximately HK\$20.1 million) as at 30 June 2022 to approximately S\$6.4 million (equivalent to approximately HK\$36.0 million) as at 31 December 2022, which was mainly due to the increase in borrowings.

When comparing the financial position between 31 December 2022 and 31 December 2021, the Group's financial position as at 31 December 2022 declined. The decline of the Group's financial position as at 31 December 2022 was mainly due to (i) decrease in contract assets by approximately S\$4.5 million (equivalent to approximately HK\$25.3 million) from approximately S\$8.7 million (equivalent to approximately HK\$49.4 million) as at 31 December 2021 to approximately S\$4.2 million (equivalent to approximately HK\$24.1 million) as at 31 December 2022; (ii) decrease in inventories from approximately S\$0.9 million (equivalent to approximately HK\$4.9 million) as at 31 December 2021 to nil as at 31 December 2022.

#### 9M2022 vs 9M2021

According to the above table and the 2022 Q3 Report, the Group's unaudited revenue decreased by approximately 59.6% from approximately S\$14.9 million (equivalent to approximately HK\$84.5 million) for 9M2021 to approximately S\$6.0 million (equivalent to approximately HK\$34.1 million) for 9M2022. Such decrease in revenue was mainly due to the decrease in the provision of construction services, installation and auxiliary services provided by the Group to external customers for 9M2022.

The Group recorded an increase in gross loss of approximately 57.8% for 9M2022 from a gross loss of approximately S\$1.5 million (equivalent to approximately HK\$8.6 million) for 9M2021 to a gross loss of approximately S\$2.4 million (equivalent to approximately HK\$13.6 million) for 9M2022. Such increase was in line with the decrease in revenue for 9M2022.

As the Group recorded increase in gross loss for 9M2022, the Group recorded a net loss of approximately S\$5.0 million (equivalent to approximately HK\$28.4 million) for 9M2022. Such net loss for 9M2022 was mainly contributed by (i) new projects coming in at a slower pace; (ii) fluctuation of the price of steel due to changes in market supply and demand, which is driven by factors such as global economic conditions and the production capacities of steel mill; and (iii) higher subcontractor costs due to staggering start times and implementation of shift for the social distance safety purpose due to the Covid-19 pandemic, as quoted from the 2022 Q3 Report.

#### 6M2022 vs 6M2021

Based on the table above and the 2022 Interim Report, the Group's revenue decreased by approximately 73.9% from approximately S\$14.0 million (equivalent to approximately HK\$79.1 million) for 6M2021 to approximately S\$3.6 million (equivalent to approximately HK\$20.7 million) for 6M2022, mainly due to a decrease in provision of structural steel works resulted from new projects coming in at a slower pace.

The Group remained to be loss-making in 6M2022 and recorded an increase in gross loss of approximately S\$2.2 million (equivalent to approximately HK\$12.5 million) or representing an increase of approximately 6,371.5% from gross loss of S\$34,064 (equivalent to approximately HK\$0.2 million) for 6M2021 to approximately S\$2.2 million (equivalent to approximately HK\$12.5 million) for 6M2022. The increase in gross loss for 6M2022 was mainly contributed by (i) new projects coming in at a slower pace, and the new projects start only in the 3rd quarter of 2022, (ii) fluctuation of the price of steel due to changes in market supply and demand, which is driven by factors such as global economic conditions and the production capacities of steel mill, (iii) higher subcontractor costs due to staggering start times and implementation of shift for the social distance safety purpose due to the Covid-19 pandemic; and (iv) higher costs of recruiting migrant workers, owing to the continued risks posed by Covid-19 pandemic.

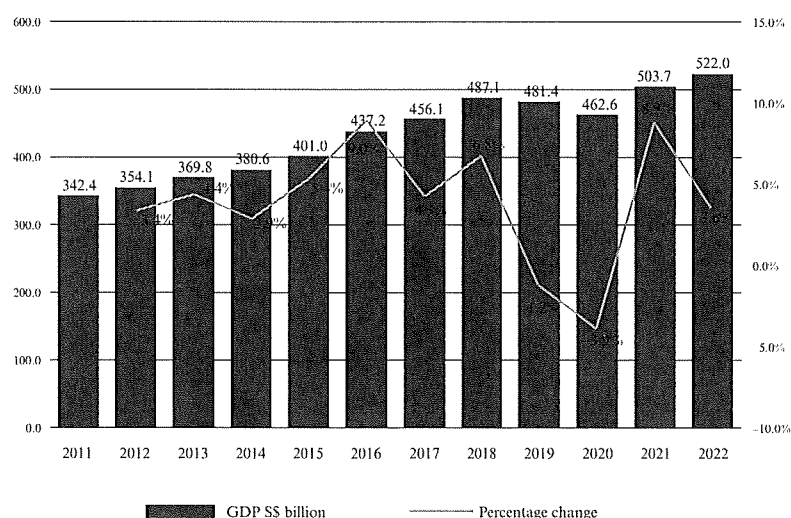
The Group also recorded an increase in net loss by approximately 87.8% from approximately S\$2.1 million (equivalent to approximately HK\$11.9 million) for 6M2021 to approximately S\$3.9 million (equivalent to approximately HK\$22.4 million) for 6M2022. Such increase in net loss for 6M2022 was mainly due to the increase in gross loss for 6M2022 as discussed above.

*b) Future prospects and outlook of the Group*

The Group's revenue is derived from provision of structural steelworks services.

Overview on the GDP growth of Singapore

Set out below is a chart showing the movement of the value and percentage change of the gross domestic product ("GDP") of Singapore between 2011 and 2022:



Source: the Singapore Department of Statistics website (<https://www.singstat.gov.sg/>)

According to the table illustrated above, the GDP of Singapore had been growing constantly from approximately S\$342.4 billion in 2011 to approximately S\$481.4 billion in 2019, but the said steady growth was deterred by the Covid-19 pandemic in 2020. On average, the annual percentage growth of Singapore's GDP during the period between 2011 and 2022 was approximately 4.0%. Based on the "Economic Survey of Singapore 2022"<sup>2</sup> published by the Ministry of Trade and Industry of the Singapore Government on 13 February 2023, taking into account (i) the projected slow growth in GDP of the United States of America, Eurozone and the PRC; (ii) the significant uncertainties and downside risks in the global economy; (iii) the growth of the outward-oriented sectors in Singapore is expected to weaken with the deterioration in external demand conditions; and offset by (iv) the growth prospects in several sectors, namely the continued recovery in air transport, accommodation and arts, entertainment and recreation industry, the Singapore economy is expected to grow by 0.5% to 2.5% in 2023, which is far less than its historical annual average percentage growth from 2011 to 2022.

#### Overview on the Singapore construction sector

According to the Building and Construction Authority of Singapore ("BCA"), over the past six years from 2016 to 2021, the total contract awarded value of construction works performed by main contractors (i.e. the full contract awarded to main contractor by developer or owner and including the contract value of works which are further sub-contracted to other contractors of construction works, or in short, the "total construction demand") in Singapore had been fluctuating. After a temporary contraction in 2017, the total construction demand increased from 2018 until 2020 when the Covid-19 pandemic broke out. Despite a quick bounce back in 2021 from backlog projects, the total construction demand has not yet recovered to the pre-pandemic level. The table below demonstrates a full picture of the trend of fluctuation as aforementioned:

	2016	2017	2018	2019	2020	2021	2022
	S\$ million	S\$ million	S\$ million	S\$ million	S\$ million	S\$ million	S\$ million
Total	26,403.8	24,798.5	30,535.2	33,523.8	21,044.8	29,934.4	29,786.4
Public sector	15,393.3	15,835.0	18,296.2	19,026.4	12,171.6	17,841.4	17,303.8
Private sector	11,010.5	8,963.5	12,239.0	14,497.4	8,873.2	12,093.0	12,482.5

Source: the BCA website (<https://www1.bca.gov.sg/>)

<sup>2</sup> [https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2022/Economic-Survey-of-Singapore-2022/PR\\_AES2022.pdf](https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2022/Economic-Survey-of-Singapore-2022/PR_AES2022.pdf)



From the above table, it is further noted that the construction demand of both the public sector and private sector was severely affected by the Covid-19 pandemic in 2020. The revitalisation of the private sector was slower than the public sector. In comparison, the construction demand of the public sector was restored to approximately S\$17.3 billion in 2022, which represents an increase of approximately 42.2% when comparing the data for 2020 with the data for 2022; and the construction demand of the private sector was restored to approximately S\$12.5 billion in 2022, which represents an increase of approximately 40.7% from S\$8.9 billion for 2020 to S\$12.5 billion for 2022.

According to the article entitled “Singapore’s Construction Demand to Remain Strong in 2023”<sup>3</sup> published by BCA on 12 January 2023, the preliminary total construction demand for 2022 reached approximately S\$29.8 billion; while the BCA’s projected figure for 2023 is S\$27 billion to S\$32 billion. For the medium-term between 2024 and 2027, the total construction demand is forecasted to be S\$25 billion to S\$32 billion per year. The BCA’s forecasts suggest that the growth of the Singapore construction sector has seemingly leveled off. After the quick bounce back in 2021 from backlog projects, demand of the Singapore construction sector is anticipated to stay in the range of S\$25 billion to S\$32 billion per year from 2024 and 2027, failing to surpass the summit of approximately S\$33.5 billion in 2019.

#### The continuous trend of rising costs

According to the “Economic Survey of Singapore 2022”<sup>4</sup> published by the Ministry of Trade and Industry of the Singapore Government on 13 February 2023, in 2022, the domestic supply price and manufactured products price indices rose by approximately 18.6% and 14.9% respectively; whereas the import and export price indices rose by approximately 14.4% and 15.9% respectively. The year-on-year growth of the overall unit labour cost in 2022 was approximately 8.5%. In particular, the overall unit labour cost rose by approximately 9.3% year-on-year in the fourth quarter of 2022, with the construction sector registering the distinctive largest jump (approximately 11.1%). As anticipated by the Ministry of Trade and Industry of the Singapore Government, the overall unit labour cost is likely to continue to rise in 2023. At the same time, the costs of utilities, fuel and transportation are expected to ease but remain elevated with the ongoing Russia-Ukraine War.

For instance, based on the “Building Works Tender Price Index”<sup>5</sup> published by the BCA, as at 14 February 2023, tender prices in the construction sector rose by approximately 11.6% from 2021 to 2022 which was mainly possibly due to increases in the cost of manpower and construction materials.

<sup>3</sup> <https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2023/01/12/singapore's-construction-demand-to-remain-strong-in-2023>

<sup>4</sup> [https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2022/Economic-Survey-of-Singapore-2022/PR\\_AES2022.pdf](https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2022/Economic-Survey-of-Singapore-2022/PR_AES2022.pdf)

<sup>5</sup> <https://www1.bca.gov.sg/docs/default-source/docs-corp-form/free-stats.pdf>

Our view

As depicted in the section headed “Financial information on the Group” of this letter of advice, as a result of the Covid-19 pandemic and the surging costs attributable to a number of factors, the Group’s financial performance has substantially worsened in the recent financial years, even though the Group recorded a decrease in net loss for FY2022. Having considered the uncertainties associated with the financial performance and prospects of the Group as elaborated above, including (i) the expected relatively stagnant GDP growth of Singapore in 2023; (ii) the Singapore construction sector may lack a strong driving force to achieve rapid growth in the medium-term; (iii) the continuous trend of rising costs; and (iv) the unexpected waves of the Covid-19 pandemic and the potential intensifying geopolitical tensions, the Group would continue to operate in a challenging environment in the short-term, we consider the Group’s recovery momentum may be uncertain.

## **2. Information on the Offeror**

### *Information on the Offeror*

As disclosed in the Letter from Kingston Securities, the Offeror was incorporated in the British Virgin Islands with limited liability as an investment holding company. As at the Latest Practicable Date, the Offeror is beneficially owned by Mr. Zhang Zhang as to 80%, Ms. Li Heliang as to 10% and Mr. Wang Jiandong as to 10%. Mr. Zhang Zhang is the sole director of the Offeror.

### *Information on Mr. Zhang Zhang, Ms. Li Heliang and Mr. Wang Jiandong*

Mr. Zhang Zhang (張璋), aged 47, has over 22 years of management experience in the real estate industry in the PRC, including extensive experience in corporate management, marketing management, business operations expansion, and strategic planning. He was a director of marketing, head of commercial operations, head of strategic development and project general manager at Chongqing Xingmao Industrial Development (Group) Co., Ltd.\* (重慶市興茂產業發展(集團)有限公司) from 2000 to 2008. Mr. Zhang Zhang was an executive vice president in charge of construction, merchandising and sales at Chongqing Yearning Real Estate Co., Ltd.\* (重慶市嚮往置業有限公司) from 2009 to 2013. From 2014 to 2016, he was a general manager at Chongqing Runze Real Estate Co., Ltd.\* (重慶潤澤房地產經紀有限公司). From 2017 to 2020, he was a project general manager at Chongqing Guokang Construction Engineering Co., Ltd.\* (重慶市國康建築工程有限公司).

Mr. Wang Jiandong (王建東), aged 31, graduated from the Shandong University of Technology\* (山東理工大學) in 2011 majoring in electromechanical technology (through correspondence study) and has more than 7 years of management experience in the PRC including managing and overseeing the operations of private enterprises since 2015.

Ms. Li Heliang (李荷良), aged 28, has over 7 years of experience in finance and management in the PRC. She was the head of finance of Henan Houyin Enterprise Management Consulting Co., Ltd.\* (河南厚銀企業管理諮詢有限公司) from 2015 to 2018. She served as the chief financial officer of Chongqing Guokang Construction Engineering Co., Ltd.\* (重慶市國康建築工程有限公司) from 2018 to 2020, and was responsible for overseeing financial planning and control, accounting operations and internal control of the company. She has been the head of finance of Henan Oriental Yingtong E-commerce Co. Ltd.\* (河南東方盈通電子商務有限公司) since May 2020.

Ms. Li Heliang was acquainted with Mr. Ong through her cousin, Ms. Chen Xiaoyu, an executive Director, in or around 2020. Ms. Li Heliang then introduced Mr. Ong to Mr. Zhang Zhang and Mr. Wang Jiandong. Having common interests in pursuing a business opportunity in the construction industry, Mr. Zhang Zhang, Ms. Li Heliang and Mr. Wang Jiandong procured the Offeror to enter into the Sale and Purchase Agreement with the Vendor.

Save for being business partners in the PRC, Mr. Zhang Zhang, Mr. Wang Jiandong and Ms. Li Heliang do not have any other relationship with each other.

\* for identification purpose only

### **3. *Intentions of the Offeror regarding the Group***

To provide Independent Shareholders and the Independent Warrant Holders with information regarding the intentions of the Offeror, set out below is the Offeror's intentions on the Group's business and Board composition as extracted from the "Letter from Kingston Securities" in the Composite Document:

As at the Latest Practicable Date, the Offeror intends to continue the principal business of the Group and the employment of the employees of the Group and has no intention to enter and had not entered into any agreement, arrangement, negotiation or understanding to downsize, cease or dispose of the existing business of the Group. The Offeror will, following the completion of the Offers, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income. However, as at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group.

### **4. *Proposed change of the Board composition of the Company***

The Board is currently made up of seven Directors, comprising three executive Directors, being Mr. Ong, Ms. Koh Siew Khing and Ms. Chen Xiaoyu; one non-executive Director, being Ms. Lin Xiaoqin; and three independent non-executive Directors, being Mr. Tam Wai Tak Victor, Ms. Chooi Pey Nee and Mr. Tan Yeok Lim (Chen Yulin).

The Offeror intends to nominate new Directors to the Board in accordance with relevant requirements of the Takeovers Code, the GEM Listing Rules or other applicable regulations. Any changes to the Board composition will be made in compliance with the Takeovers Code and the GEM Listing Rules. As at the Latest Practicable Date, the Offeror has not identified any candidates and has not reached any final decision as to who will be nominated as new Directors. Further announcement(s) and/or disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

## **B. THE OFFERS**

### ***1. Terms of the Offers***

As stated in the Letter from the Board, Kingston Securities is making the Offers, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

#### *The Share Offer*

For every Offer Share HK\$0.229 in cash

The Share Offer Price of HK\$0.229 per Offer Share is the same price per Sale Share paid by the Offeror under the Sale and Purchase 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, free from any encumbrances and together with all rights attached and accrued to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document. As at the Latest Practicable Date, no dividend has been paid or declared by the Company and it is advised by the Board that no dividend is expected to be declared during the Offer Period.

#### *The Warrant Offer*

In respect of the Warrants, each of which entitles the holder to subscribe for one new Share at the exercise price of HK\$4.00 per new Share (subject to adjustments):

For each Offer Warrant HK\$0.001 in cash

Pursuant to Rule 13.5 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Warrant Offer Price represents the difference between the Share Offer Price and the exercise price of the Warrants. The Warrant Offer Price is nominal taking into consideration the see-through value of the Warrants, which is also the price per Sale Warrant paid by the Offeror under the Sale and Purchase Agreement. The Warrant Offer is extended to all Independent Warrant Holders in accordance with the Takeovers Code.

The Offers are unconditional in all respects when made, and are not conditional upon acceptances being received or any other conditions.

## 2. *Analysis of the Share Offer Price*

The Share Offer Price of HK\$0.229 per Offer Share represents:

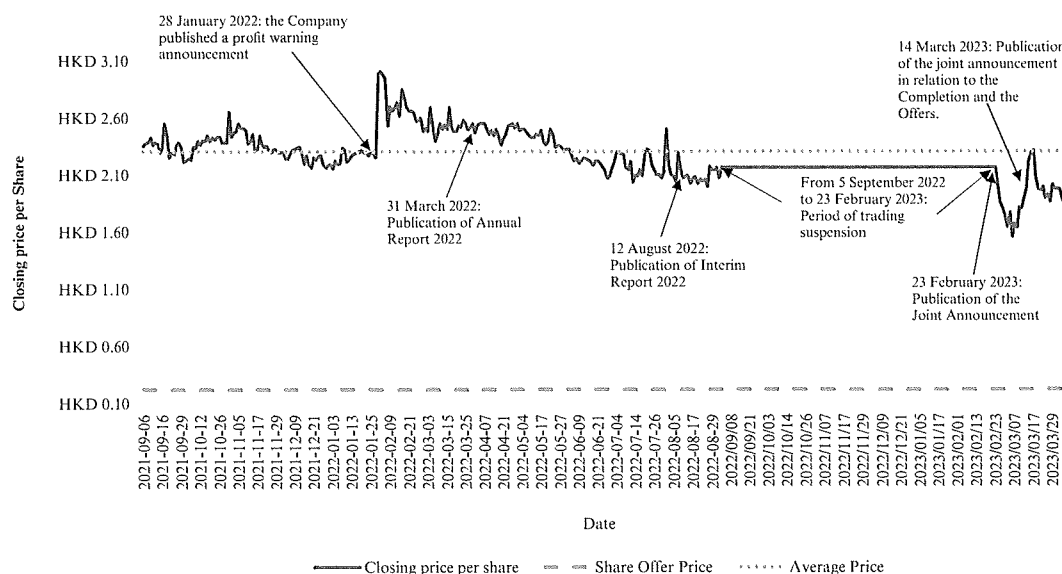
- 1) a discount of approximately 87.8% to the closing price of HK\$1.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- 2) a discount of approximately 89.4% to the closing price of HK\$2.17 per Share as quoted on the Stock Exchange on 5 September 2022, being the Last Trading Day;
- 3) a discount of approximately 89.3% over the average closing price of approximately HK\$2.15 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- 4) a discount of approximately 89.2% over the average closing price of approximately HK\$2.12 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- 5) a discount of approximately 89.2% over the average closing price of approximately HK\$2.12 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- 6) a premium of approximately 8.2% over the audited consolidated net asset value attributable to the owners of the Company (“NAV 1”) of approximately S\$17,920,000 (equivalent to approximately HK\$101,606,000), which represents approximately HK\$0.21 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2021 as set out in the 2022 Annual Report;
- 7) a premium of approximately 39.1% over the unaudited consolidated net asset value attributable to the owners of the Company (“Unaudited NAV 1”) of approximately S\$13,939,000 (equivalent to approximately HK\$79,034,000), which represents approximately HK\$0.16 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 June 2022 as set out in the 2022 Interim Report;
- 8) a premium of approximately 50.6% over the unaudited consolidated net asset value attributable to owners of the Company (“Unaudited NAV 2”) of approximately S\$12,876,000 (equivalent to approximately HK\$73,007,000), which represents approximately HK\$0.15 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 September 2022 as set out in the 2022 Q3 Report; and

- 9) a premium of approximately 73.8% over the audited consolidated net asset value attributable to the owners of the Company (“NAV 2”) of approximately S\$11,154,000 (equivalent to approximately HK\$63,243,000), which represents approximately HK\$0.13 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2022 as set out in the 2022 Annual Report.

a) *Historical Share price performance*

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 6 September 2021, being the twelve-month period prior the Last Trading Day and up to the Latest Practicable Date (the “Review Period”). We consider that the Review Period, covering a full twelve-months period to the Last Trading Day, (i) appropriate for reviewing the recent financial position of the Group; (ii) represents a reasonable period to provide a general overview of the recent price performance and the recent trading volume of the Shares for conducting an analysis against the Share Offer Price; (iii) is long enough to avoid any short-term fluctuation which may distort our analysis; and (iv) is sufficient and a common market practice.

**Historical Share Price Performance during the Review Period**



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

As illustrated in the chart above, during the Review Period, the closing price of the Shares traded at an average of HK\$2.310 per Share, with the highest and lowest prices of the Shares, being HK\$3.01 per Share recorded on 31 January 2022 and HK\$1.56 per Share recorded on 6 March 2023. The Share Offer Price of HK\$0.229 per Share represents a discount of approximately 90.1% to the average closing price of approximately HK\$2.310 per Share during the Review Period. We also noted that the closing price of the Shares had been staying well above the Share Offer Price during the Review Period.

As depicted from the above chart, the closing price of the Shares formed a stable trend since the beginning of the Review Period from 6 September 2021 to late January 2022.

On 28 January 2022, the Company published a profit warning announcement. One trading day before and one trading day after such abovementioned announcement, the Share price surged from HK\$2.26 to HK\$3.01 per Share between 27 January 2022 to 31 January 2022. After reaching the highest of HK\$3.01 per Share on 28 January 2022, on 8 February 2022, the Share price dropped approximately 14.2% from HK\$2.95 to HK\$2.53 per Share and the closing price of the Shares exhibited, in general, a downward trend since late January 2022 to the Last Trading Day.

On 6 September 2022, at the request of the Company, trading in the Shares and Warrants was halted from 9:00 a.m. pending the publication of the Joint Announcement. Following the resumption of trading, the closing price of the Shares decreased by of approximately 28.11%, from HK\$2.17 per Share on 24 February 2023 (being the first trading day after the publication of the Joint Announcement) to HK\$1.56 per Share on 6 March 2023. We consider that such drop in the closing price of the Shares was likely due to the market reaction to the Joint Announcement. Subsequently, from 6 March 2023 to 29 March 2023, the closing price of the Share rose by approximately 29.49% from HK\$1.56 per Share on 6 March 2023 to HK\$2.02 per Share on 29 March 2023. We have made enquiries and the Board confirmed that, aside from the Joint Announcement and the joint announcement in relation to the Completion and the Offers dated 14 March 2023 (the **“Completion and Offers Announcement”**), they are not aware of any information which might materially affect the trading prices or trading volume movements of the Shares. We consider, and the Board concurs, that such surge in the Share prices could have been driven by the publication of the Joint Announcement and the Completion and Offers Announcement.

Based on the above, we noted that (i) the closing prices of the Shares had been staying well above the Share Offer Price throughout the Review Period; and (ii) the Share Offer Price represented a significant discount to the average closing prices of the Shares of approximately 90.1% during the Review Period. Therefore, compared with the historical price performance of the Shares, albeit the premium represented by the Share Offer Price over the audited NAV 1 and NAV 2 per Share as at 31 December 2021 and 31 December 2022, respectively, and over Unaudited NAV 1 and Unaudited NAV 2 as at 30 June 2022 and 30 September 2022, respectively, we are of the view that the Share Offer Price is unattractive, not fair and not reasonable so far as the Independent Shareholders are concerned.

While the closing price of the Shares continued to stay well above the Share Offer Price throughout the Review Period, it is uncertain whether the current level of Share price will be sustainable in the absence of the Share Offer or after the close of the Share Offer. The Independent Shareholders should also be aware that the price trend may be affected by many different factors such as (i) the investors or Shareholders' view on the Group's industry prospects or future although the Offeror intends to continue the principal business of the Group and the employment of the existing directors, management and employees of the Group; or (ii) the market trend.

*b) Historical Share liquidity*

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period:

	Total trading volume of the Shares for the month/ period	Number of trading days	Average daily trading volume	Total number of issued Shares at the end of the month/period	% of average daily trading volume to total number of Shares held by public Shareholders as at the end of the month/ period (Note 2)	% of average daily trading volume to total number of Shares held by public Shareholders as at the end of the month/ period (Note 2)
<b>2021</b>						
September	5,905,021	18	328,057	480,000,000	0.07%	0.22%
October	9,265,000	18	514,722	480,000,000	0.11%	0.35%
November	9,350,000	22	425,000	480,000,000	0.09%	0.29%
December	6,504,000	22	295,636	480,000,000	0.06%	0.20%
<b>2022</b>						
January	5,920,000	21	281,905	480,000,000	0.06%	0.19%
February	3,345,000	17	196,765	480,000,000	0.04%	0.13%
March	9,575,000	23	416,304	480,000,000	0.09%	0.28%
April	22,405,000	18	1,244,722	480,000,000	0.26%	0.84%
May	12,265,000	20	613,250	480,000,000	0.13%	0.41%
June	6,600,000	21	314,286	480,000,000	0.07%	0.21%
July	5,270,000	20	263,500	480,000,000	0.05%	0.18%
August	12,065,000	23	524,565	480,000,000	0.11%	0.35%
September (1 to 5 September) (Note 1)	330,000	3	110,000	480,000,000	0.02%	0.07%
October to December (Note 1)	Nil	—	—	480,000,000	—	—
<b>2023</b>						
January (Note 1)	Nil	—	—	480,000,000	—	—
February (24 to 28 February) (Note 1)	9,210,000	3	3,070,000	480,000,000	0.64%	2.07%
March	25,305,000	23	1,100,217	480,000,000	0.23%	0.74%
April (3 to the Latest Practicable Date)	1,755,000	4	438,750	480,000,000	0.09%	0.30%
<b>Minimum</b>					0.02%	0.07%
<b>Maximum</b>					0.64%	2.07%
<b>Average</b>					0.13%	0.43%

*Notes:*

1. The trading of the Shares and the Warrants of the Company was halted from 6 September 2022 to 23 February 2023.
2. The total number of Shares held by public Shareholders as at the end of the month/period is 148,210,000.

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



We note from the above table that the trading volume of the Shares is generally thin during the Review Period. The percentage of average daily trading volume of the Shares to the total issued Shares and average daily trading volume of the Shares to the total issued Shares held by public Shareholders during the Review Period is approximately 0.13% and 0.43% respectively.

Subsequent to the publication of the Joint Announcement, there was a surge in the average daily trading volume in February 2023, representing approximately 0.64% of the total number of the issued Shares and approximately 2.07% of the total issued Shares held by public Shareholders as at the end of the month/period. Such increase in the trading volume of the Shares was possibly a result of the market reaction to the publication of the Joint Announcement.

Given the inactive trading of the Shares, the Independent Shareholders (especially those with relatively sizeable shareholdings) may encounter difficulties in selling a significant number of Shares in the open market at a fixed cash price within a short period of time without disturbing the market price. While the Share Offer provides an exit alternative at the Share Offer Price for the Independent Shareholders who would like to realise their investments in the Shares at a fixed price and within a short period of time, those Shareholders are also advised to consider to sell their Shares in the open market instead of accepting the Share Offer given the closing prices of the Shares had been staying well above the Share Offer Price throughout the Review Period, after taking into account the possible pressure on the Share price when selling in bulk. Independent Shareholders should also be aware that they may have to sell their Shares in the market by batches if they do not accept the Share Offer.

*c) Comparable transactions analysis*

Industry Comparable Analysis

The trading multiples analysis, including the price-to-earnings ratio (“**P/E Ratio**”), price-to-sales ratio (“**P/S Ratio**”), enterprise value-to sales ratio (“**EV/Sales Ratio**”) and price-to-book ratio (“**P/B Ratio**”), is a commonly adopted valuation method in the market. Given that the Group was loss-making for FY2022, the P/E Ratio analysis is therefore not applicable.

To further assess the fairness and reasonableness of the Share Offer Price, we have in the first place researched for Hong Kong listed companies which are engaged in similar line of business as the Group, being the provision of designing, supplying, fabricating and erecting structural steel-works for the construction of buildings including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings and provision of pre-fabricated steel structures or on-site installation services.

We have identified an exhaustive sample of Hong Kong listed company which provides structural engineering works for the public and private sectors in Hong Kong; and trading of building material products (the “**Hong Kong Comparable Company**”).

Given the relatively limited sample size, we have further extended our research to include listed companies in Singapore which are principally engaged in the provision of designing, supplying, fabricating and erecting structural steel-works for the construction of buildings in Singapore, and found two Singapore listed companies, which are exhaustive based on our selection criteria (the “**Singapore Comparable Companies**”). While we understand that the Stock Exchange and the Singapore Stock Exchange differ in various aspects such as total market capitalisation and overall trading environment, general trading volume and stock performance, we are of the view that the Singapore Comparable Companies may provide Independent Shareholders with additional information for consideration purpose taking into account that those Singapore Comparable Companies are operating similar business in the same geographical location as the Group.

Although the Hong Kong Comparable Company and the Singapore Comparable Companies vary in financial performance, operation and prospects, capital structure and market capitalisation as compared to the Company, the comparable analysis is meant to cover a list of comparable companies and form a reasonable sample size to reflect the value of comparable companies in the same industry for fair and reasonable comparison. Considering the fact that (i) the Company and those comparable companies are all categorised as small cap companies (i.e. companies with market capitalisation of below HK\$10 billion) and their market capitalisation are all below HK\$1 billion; (ii) the principal businesses of the Group and those Singapore Comparable Companies are similar and during the selection process, we have ensured that over 50% of the revenue of the comparable companies was derived from structural engineering works services; and (iii) except for the Hong Kong Comparable Company, the geographical coverage of the Group and the Singapore Comparable Companies is the same, we are of the view that the Hong Kong Comparable Company and the Singapore Comparable Companies are fair, representative and sufficient for the purpose of this comparison.

Based on the abovementioned criteria, we have identified three comparable companies composed of the Hong Kong Comparable Company and the Singapore Comparable Companies (the “**Comparable Companies**”) as valuation benchmarks. Although the number of the comparable companies was limited, having considered that (i) we have further extended our scope of search to include companies listed on the Singapore Stock Exchange; (ii) the Comparable Companies are all engaged in similar businesses to the Group; and (iii) the Comparable Companies are able to fulfill our selection criteria, we are of the view that those comparable companies listed in Hong Kong or Singapore engaged in the same industry are comparable with that to the Company and, in our opinion, constitute the closest proxies to the Company and are therefore fair, adequate and representative samples to serve as a reference to the valuation of the Group’s business.

The following tables set out (i) the P/S Ratio, P/B Ratio and EV/Sales Ratio of the Comparable Companies based on their closing share price as at the Latest Practicable Date and their latest published financial information; and (ii) the implied P/S Ratio, P/B Ratio and EV/Sales Ratio of the Company based on the Share Offer Price, the closing price of the Shares as at the Latest Practicable Date, and its latest published financial information:

Company name (Stock code)	Principal business	Closing price as at the Latest Practicable Date	P/S Ratio	P/B Ratio	EV/Sales Ratio (Note 3)	Market capitalisation (based on closing share price as at the Latest Practicable Date)
			times	times	times	HK\$
KPa-BM Holdings Limited (2663.HK)	A Hong Kong listed company, engaged in provision of structural engineering works for the public and private sectors in Hong Kong; and trading of building material products.	HK\$0.255	0.29	0.55	0.08	142.0 million
TTJ Holdings Limited (K1Q.SGX) (Note 1)	A Singapore-based investment holding company primarily engaging in the design, supply, fabrication and erection of various structural steel works. It offers structural steel works for use in the construction of buildings, factories, plants and infrastructures.	HK\$1.28 (Note 4)	1.04	0.61	0.62	445.9 million
SHS Holdings Limited (566.SGX)	A Singapore-based investment holding company primarily engaging in corrosion prevention, structural steel and façade engineering. The structural steel and façade engineering consists of designing, engineering, and construction of steel, aluminium, and glass structures.	HK\$0.79 (Note 4)	0.98	0.65	0.98	484.5 million
The Company (8402.HK)		HK\$0.229 (based on the Share Offer Price)	2.07	1.68 (Note 2)	1.85	101.0 million

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

Notes:

1. TTJ Holdings Limited delisted from Singapore Exchange on 30 August 2022 due to the compulsory acquisition by its offeror.
2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company derived from the Share Offer Price.
3. The EV/Sales Ratio is calculated by dividing enterprise value ("EV") by sales for their respective latest financial year. EV is calculated as market capitalisation as at the Latest Practicable Date plus debt minus cash from their respective latest financial statement.

4. The closing price is calculated based on their respective closing price in Singapore Stock Exchange as at the Latest Practicable Date and times the exchange rate of S\$1 to HK\$5.67 for currency translation, where applicable.

As illustrated by the above table, the implied P/S Ratio of the Company (based on the Share Offer Price) is higher than the P/S Ratios of the Comparable Companies. This is considered to be indicating that the market is willing to pay more (in terms of multiple to the number of sales) to invest in the revenue generating ability of the Group than that of the Comparable Companies.

Further, the implied P/B Ratio of the Company (based on the Share Offer Price) is higher than the P/B Ratios of the Comparable Companies. This is considered to be indicating that the market is willing to pay more (in terms of multiple to the amount of net asset value) to invest in the revenue generating assets of the Group than that of the Comparable Companies.

Moreover, the implied EV/Sales Ratio of the Company (based on the Share Offer Price) is higher than the EV/Sales Ratios of the Comparable Companies. The high EV/Sales Ratio may indicate that the investors are positive about the level of future sales revenue of the Company.

Based on the Industry Comparable Analysis, the Company's implied P/S Ratio, implied P/B Ratio and implied EV/Sales Ratio are higher than the Comparable Companies indicating the Share Offer Price is fair and reasonable. However, Independent Shareholders should also consider alternative of realizing the Shares in the market, for our detailed analysis, please refer to the below paragraph headed "**e) Our view on the Share Offer and the Share Offer Price**".

*d) Share Offer Comparable Analysis*

In addition to the industry comparable analysis set out above, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of companies (the "**Share Offer Comparables**") listed on the Stock Exchange which have undergone mandatory general offer exercise by an offeror during the past six months from 4 March 2022 to the Last Trading Day, and up to the date of the Joint Announcement.

We have adopted different review periods for the Share Offer Comparables and that for the historical Share price performance and historical Share liquidity (being a twelve-months period) due to the different purposes and natures in the analysis. The Share Offer Comparables analysis provides a general reference to the pricing trend of the most recent mandatory general offer transactions under the current market and economic atmosphere, which serves to determine whether the Share Offer Price is in line with recent mandatory general offer transactions in the market, while the review period for the analysis for historical Share price performance and Share liquidity provides a general trend that covers short-term fluctuations. For details, please refer to the paragraphs headed “Historical Share price performance” and “Historical Share liquidity” above.

We consider that the period of the Share Offer Comparables under review (i) is adequate to provide a fair and representative sample for analysis of recent mandatory general offer transactions in the market taking into account the effect of the recent Covid-19 pandemic which has significantly affected the economic sentiment; (ii) represents a reasonable period to provide a general reference of the recent pricing trend of mandatory general offer transactions under the current market and economic atmosphere; (iii) that includes 22 general offer transactions and represents, in our opinion, a reasonable number of Share Offer Comparables for analysis and sufficient to adequately capture the recent market conditions and sentiments; and (iv) is sufficient and a common market practice.

Although the Share Offer Comparables have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the premiums/discounts represented by the offer price over/to the closing share prices for various periods and the net asset value per share are essential factors for the offeror in determining the offer price. The Share Offer Comparables provides a general reference to the pricing trend of recent mandatory general offer transactions in the current market and economic atmosphere, which helps determine whether the Share Offer Price is in line with those of recent mandatory general offer transactions. We therefore consider them to be relevant in assessing the fairness and reasonableness of the Share Offer Price.

Date of joint announcement	Company name (Stock code)	Principal business	Share offer price (HK\$)	Premium over/ (discount to) its respective average closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 10 consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective audited consolidated net asset value per share attributable to shareholders	
14 March 2022	In Technical Productions Holdings Limited (8446.HK)	provision of visual display solution services for concerts and events	0.167	(91.97%)	(91.01%)	(88.20%)	(84.64%)	88.91%
6 April 2022	Universe Printshop Holdings Limited (8448.HK)	provision of general printing services and trading of printing products	0.025	8.70%	7.76%	5.49%	3.16%	(7.41%)
28 April 2022	Beijing Enterprises Urban Resources Group Limited (3718.HK)	provision of environmental hygiene services, hazardous waste treatment services and waste electrical and electronic equipment treatment services	0.78	Equivalent (Note 1)	7.14%	8.33%	20.00%	(19.73%)
10 May 2022	Easy Repay Finance & Investment Limited (8079.HK)	money lending business, retail and wholesale business	0.08	(20.00%)	(18.37%)	(18.37%)	(17.53%)	(92.54%)

Date of joint announcement	Company name (Stock code)	Principal business	Share offer price (HK\$)	Premium over/ (discount to) its respective average closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 10 consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective audited consolidated net asset value per share attributable to shareholders
11 May 2022	Yield Go Holdings Ltd. (1796.HK)	fitting-out services and supply of fitting-out materials	0.7212	(57.82%)	(55.81%)	(53.50%)	157.57%
26 May 2022	Shanghai Dongzheng Automotive Finance Co., Ltd. (2718.HK)	an automotive finance company	1.243	25.56%	26.84%	35.11%	(29.84%)
1 June 2022	1957 & Co. (Hospitality) Limited (8495.HK)	(i) operation of restaurants in Hong Kong and (ii) catering management and consultancy services	0.5341	7.90%	20.29%	24.21%	29.64%
9 June 2022	KNK Holdings Limited (8039.HK)	provision of comprehensive architectural and structural engineering consultancy service	0.2	(89.00%)	(88.90%)	(88.90%)	(89.20%)
20 July 2022	Loto Interactive Limited (8198.HK)	(i) the provision of data analysis and storage services through the operation of a big data centre in Hong Kong; (ii) data processors leasing services in Kazakhstan; and (iii) money lending business in Hong Kong	0.28	(39.13%)	(17.65%)	(6.67%)	(3.45%)
5 August 2022	Morris Home Holdings Limited (1575.HK)	(i) the provision of formwork works services to both the HK public and private sectors in the construction industry; and (ii) securities dealing and broking	0.063	(59.35%)	(50.00%)	(41.67%)	(37.62%)
19 August 2022	Silver Tide Holdings Limited (1943.HK)	provision of comprehensive architectural and structural engineering consultancy service	0.34	(67.92%)	(62.22%)	(61.80%)	(59.04%)
23 August 2022	Qidian International Co., Ltd. (1280.HK)	retail of household appliance, mobile phones, computers, import and general merchandise and provision of maintenance and installation services	0.5	(12.28%)	(12.28%)	(11.97%)	(15.78%)
30 August 2022	Pine Care Group Limited (1989.HK)	provision of senior care services.	0.89	1.10%	4.20%	14.40%	40.40%
13 September 2022	Future Date Group Limited (8229.HK)	provision of (i) integration of systems with network connectivity, cloud computing and security elements; (ii) maintenance services; and (iii) cyber security services	0.2875	63.35%	70.93%	71.64%	64.76%
14 September 2022	LET Group Holdings Limited (1383.HK)	development and operation of casino in Philippines, hotel and gaming business and property development and management and operation of malls	0.069	23.21%	13.11%	61.50%	Equivalent (Note 1)
15 September 2022	China Tonghai International Financial Limited (952.HK)	corporate finance, asset management, brokerage and interest income segment	0.2	16.30%	16.30%	17.00%	16.30%
28 September 2022	Charmacy Pharmaceutical Co., Ltd (2289.HK)	pharmaceutical distribution business	7.29	(1.49%)	(1.75%)	(1.95%)	(2.67%)
30 September 2022	Carry Wealth Holdings Limited (643.HK)	manufacturing and trading garment products for internationally renowned brand names	0.239	(0.42%)	(3.63%)	(5.53%)	(9.81%)
4 November 2022	Global Dining Holdings Limited (8496.HK)	manufacturing and retailing of bakery products and operation of restaurants	0.3123	2.50%	0.20%	(5.20%)	(14.20%)
30 November 2022	Golden Ponder Holdings Limited (1783.HK)	provision of superstructure building works and repair, maintenance, alternation and addition works service	0.28	(44.00%)	(43.89%)	(44.83%)	(45.26%)

Date of joint announcement	Company name (Stock code)	Principal business	Share offer price (HK\$)	Premium over/ (discount to) its respective average closing price for the				Premium over/ (discount to) its respective audited consolidated net asset value per share attributable to shareholders
				Premium over/ (discount to) its respective average closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 10 consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	Premium over/ (discount to) its respective average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	
19 December 2022	Khoon Group Limited (924.HK)	a mechanical and electrical engineering contractor in Singapore specialised in providing electrical engineering solutions	0.278	(43.84%)	(42.44%)	(42.32%)	(40.22%)	32.38%
12 January 2023	Honbridge Holdings Limited (8137.HK)	the business of research and development, production, sales of lithium-ion battery and battery system, provision of online car-hailing services and electric bicycle battery swapping services and research and exploration of iron ores	0.08	(77.50%)	(77.50%)	(77.50%)	(75.20%)	(83.10%)
			Average discount	(46.52%)	(43.50%)	(39.17%)	(38.99%)	
			Median discount	(44.00%)	(43.89%)	(42.00%)	(38.92%)	
			Min discount	(0.42%)	(1.75%)	(1.95%)	(2.67%)	
			Max discount	(91.97%)	(91.01%)	(88.90%)	(89.20%)	
			Average premium					357.02%
			Median premium					72.33%
			Min premium					12.0%
			Max premium					2,011.5%
23 February 2023	The Company (8402.HK)		0.229	(89.40%)	(89.30%)	(89.20%)	(89.20%)	73.8%

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

Notes:

- Such offer price is equal to its respective average closing price of the shares for its respective consecutive trading days immediately prior to and including the last trading day.
- Those data are not available due to those comparables recorded net liabilities as at the end of the financial periods of their respective latest audited financial reports.

From the table above, we noted that the Share Offer represents deep discounts (i.e., close to approximately 90%) to the closing prices of the Shares on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price, which are similar to those of the maximum discounts of the Share Offer Comparables, while its premium to the net asset value per share attributable to shareholders is below the minimum premium of the Share Offer Comparables.

*e) Our view on the Share Offer and the Share Offer Price*

Having considered the principal factors and reasons as discussed above and summarised below:

Notwithstanding that (i) the Share Offer Price represents a premium over the audited consolidated NAV 1 and NAV 2 of the Group as at 31 December 2021 and 2022 or over the Unaudited NAV 1 and Unaudited NAV 2; (ii) the implied P/S Ratio, the implied P/B Ratio and EV/Sales Ratio of the Company as represented by the Share Offer Price are higher than the Comparable Companies; (iii) the Independent Shareholders may encounter difficulties in selling their Shares in the open market in bulk at a fixed cash price within a short period of time without disturbing the market price given the thin trading volume of the Shares during the Review Period; and (iv) the Group's recovery momentum may be uncertain in coming years as discussed in the paragraph headed "Future prospects and outlook of the Group", having considered that,

- (a) the Share Offer Price is unattractive, given (i) the closing prices of the Shares had been staying well above the Share Offer Price throughout the Review Period; (ii) it represents a deep discount to the closing price of the Shares on the Latest Practicable Date, the Last Trading Day, the average closing price of the Shares for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 90.1% to the average closing prices of the Shares during the Review Period; and
- (b) despite the decrease in revenue and loss for FY2022 compared to FY2021, (i) the Group has no liquidity problem to continue its operation and business as indicated in the 2022 Annual Report; and (ii) the Offeror intends to continue the existing principal business of the Group without downsizing as mentioned above,

we are of the view that the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

**3. Analysis of the Warrant Offer Price**

According to the Letter from the Board, the Warrant Offer Price of HK\$0.001 per Offer Warrant represents:

- (1) a discount of approximately 90.0% to the closing price of HK\$0.01 per Warrant as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of approximately 98.0% to the closing price of HK\$0.051 per Warrant as quoted on the Stock Exchange on 5 September 2022, being the Last Trading Day;
- (3) a discount of approximately 98.0% over the average closing price of approximately HK\$0.051 per Warrant based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;



- (4) a discount of approximately 98.0% over the average closing price of approximately HK\$0.051 per Warrant based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day; and
- (5) a discount of approximately 98.0% over the average closing price of approximately HK\$0.051 per Warrant based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day.

As at the Latest Practicable Date, the Company has a total of 96,000,000 outstanding Warrants, conferring the rights to subscribe for a total of 96,000,000 new Shares at an exercise price of HK\$4.00 per new Share (subject to adjustments).

*a) Historical liquidity analysis*

The following table sets out the total trading volume per month and the average daily trading volume per month of the outstanding Warrants during the Review Period:

	Total trading volume of the Warrants for the month/ period	Number of trading days	Average daily trading volume	Total number of outstanding Warrants as at the Latest Practicable Date	% of average daily trading volume to outstanding Warrants as at the Latest Practicable Date
<b>2021</b>					
September	442,000	18	24,556	96,000,000	0.03%
October	55,000	18	3,056	96,000,000	0.00%
November	167,000	22	7,591	96,000,000	0.01%
December	45,000	22	2,045	96,000,000	0.00%
<b>2022</b>				96,000,000	
January	58,000	21	2,762	96,000,000	0.00%
February	167,000	17	9,824	96,000,000	0.01%
March	41,000	23	1,783	96,000,000	0.00%
April	183,000	18	10,167	96,000,000	0.01%
May	20,000	20	1,000	96,000,000	0.00%
June	Nil	21	—	96,000,000	0.00%
July	76,000	20	3,800	96,000,000	0.00%
August	1,000	23	43	96,000,000	0.00%
September (1 to 5 September) (Note 1)	Nil	3	Nil	96,000,000	0.00%
October to December (Note 1)	Nil	—	—	96,000,000	—

	Total trading volume of the Warrants for the month/ period	Number of trading days	Average daily trading volume	Total number of outstanding Warrants as at the Latest Practicable Date	% of average daily trading volume to outstanding Warrants as at the Latest Practicable Date
<b>2023</b>					
January ( <i>Note 1</i> )	Nil	—	—	96,000,000	—
February (23 to 28 February) ( <i>Note 1</i> )	5,155,000	3	1,718,333	96,000,000	1.79%
March	682,000	23	29,652	96,000,000	0.03%
April (3 to the Latest Practicable Date)	16,000	4	4,000	96,000,000	0.00%
Minimum					0.00%
Maximum					1.79%
Average					0.12%

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

Note:

1. The trading of the Shares and the Warrants of the Company was halted from 6 September 2022 to 23 February 2023.

As depicted by the above table, trading in the outstanding Warrants had been extremely thin (around or below 0.10% of the total number of outstanding Warrants as at the Latest Practicable Date) during the Review Period. In this regard, we further noted that there was nearly 82.6% of the trading days (228 out of the total 276 trading days) on which the trading volume was nil. As such, it is uncertain as to whether there would be sufficient liquidity in the Warrants in the foreseeable future for all the Independent Warrant Holders to dispose of their Warrants in the open market. We therefore consider that the Warrant Offer provides the Independent Warrant Holders, particularly those with sizeable holding of Warrants, with a readily available exit opportunity to realise part or all of their investment opportunities, if they wish to do so.

*b) Our view on the Warrant Offer and Warrant Offer Price*

(i) The price of the Shares reaching the Warrant exercise price of HK\$4.00 per new Share

Those Independent Warrant Holders who, after considering the information contained in the 2022 Annual Report, other recent financial statements of the Group and the Composite Document, are optimistic about the future financial performance and the Share price of the Group after the Warrant Offer, may, having regard to their own circumstances, consider retaining part or all of their Warrants until the expiry date of the Warrants, being 23 August 2023 (the “**Expiration**”). However, given the Group’s future prospects, as highlighted in the paragraph headed “Future prospect and outlook of the Group”, with the Group’s declining revenue and net loss recorded in FY2022, combined with the uncertain in the economic recovery in Singapore and rising material and labour costs, we are of the view that there is a high level of uncertainty whether the Share price would be able to reach the exercise price of HK\$4.00 per new Share before the Expiration. Taking into account the likelihood of the price of the Shares reaching the exercise price of HK\$4.00 before the Expiration is not promising, should the Independent Warrant Holders surrender the current exit opportunity by not accepting the Warrant Offer, the Independent Warrant Holders can only dispose the Warrant at the open market, at a risk of thin trading volume and price uncertainty.

(ii) Value of the Warrant

With reference to time decay or theta decay phenomenon, the value of the Warrant declines gradually as the Expiration approaches. As time passes and the Expiration draws nearer, there is less time for the Shares to reach the Warrant exercise price of HK\$4.00 per new Share, which in turn reduces the potential value of the Warrants, all else being equal. The Warrant only has less than 90 available trading days before the Expiration from the Latest Practicable Date. As time passes, the Warrant price may drop to a price “out-of-money” or become worthless and as such, it may result in a total loss for the Independent Warrant Holders if they decided to hold the Warrants until the Expiration. Thus, we are of the view that accepting the Warrant Offer at the price of HK\$0.001 is a better option for the Independent Warrant Holders and in the interests of the Independent Warrant Holders as a whole.

(iii) Trading at the open market

Warrant price can be highly volatile and fluctuated with wide bid-ask price spread of trading. Given the extremely thin liquidity with minimal or even zero trading volume during the Review Period, the Independent Warrant Holders may encounter difficulties in realising their Warrants in the open market in bulk at a profitable price within a short period of time. Despite individual Independent Warrant Holders may dispose their Warrants at a price premium over the Warrant Offer Price, we are of the view that for the benefits of all Independent Warrant Holders, accepting the Warrant Offer is in their interests as a whole.

(iv) The “see-through price”

Pursuant to Rule 13.5 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Warrant Offer will normally be considered appropriate if it is based on the offer price for the relevant equity share capital, and such “see-through” price, being the difference between the Share Offer Price and the exercise price of the Warrants, should be regarded as minimum offer price. This ensures transparency and fairness in the redemption process.

As the Warrants have an exercise price of HK\$4.00 per new Share, which is significantly higher than the Share Offer Price, the outstanding Warrants are deeply out of the money in nature. Thus, the “see-through” value would be considered as no value. Hence, we are of the view that the Warrant Offer Price at a nominal cash amount of HK\$0.001 is fair and reasonable.

Despite the Warrant Offer Price represents a deep discount to the closing price of the Warrant on the Latest Practicable Date, the Last Trading Day, the average closing price of the Warrant for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day, having considered the factors mentioned above, we are of the view that the Warrant Offer and Warrant Offer Price is fair and reasonable and in the interests of the Independent Warrant Holders as a whole.

## C. RECOMMENDATIONS

### *The Share Offer*

Notwithstanding that (i) the Share Offer Price represents a premium over the audited consolidated NAV 1 and NAV 2 of the Group as at 31 December 2021 and 2022 and over the Unaudited NAV 1 and Unaudited NAV 2; (ii) the implied P/S Ratio, P/B Ratio and the EV/Sales Ratio of the Company as represented by the Share Offer Price are higher than the P/S Ratios, P/B Ratios and EV/Sales Ratios of the Comparable Companies; (iii) the Independent Shareholders may encounter difficulties in selling their Shares in the open market in bulk at a fixed cash price within a short period of time without disturbing the market price given the thin trading volume of the Shares during the Review Period; and (iv) the Group’s recovery momentum may be uncertain in coming years as discussed in the paragraph headed “Future prospects and outlook of the Group”, having considered that,

- (i) the Share Offer Price is unattractive, given the closing prices of the Shares had been staying well above the Share Offer Price throughout the Review Period; and it represents a deep discount to the closing price of the Shares on the Latest Practicable Date, the Last Trading Day, the average closing price of the Shares for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day; and a discount of approximately 90.1% to the average closing prices of the Shares during the Review Period; and

- (ii) despite the decrease in revenue and loss for FY2022 compared to FY2021, (i) the Group has no liquidity problem to continue its operation and business as indicated in the accountants' report set out in the latest published annual report of the Company; and (ii) the Offeror intends to continue the existing principal business of the Group without downsizing as mentioned above,

we are of the view that the terms of the Share Offer are not fair and not reasonable so far as the Independent Shareholders are concerned and not in the interests of the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend, and we recommend, the Independent Shareholders not to accept the Share Offer.

### *The Warrant Offer*

Having considered that

- (i) given a high level of uncertainty on the Group's recovery momentum as discussed in the paragraph headed "Future prospects and outlook of the Group", the likelihood of the Warrant reaching the exercise price of HK\$4.00 per new Share before the Expiration is uncertain and not promising;
- (ii) the outstanding Warrants are out-of- money and could result in a total loss for the Independent Warrant Holders if they decided to hold the Warrants until the Expiration;
- (iii) the Independent Warrant Holders may encounter difficulties in selling their outstanding Warrants in the open market in bulk at a profitable price within a short period of time given the extremely thin trading volume of the Warrants during the Review Period; and
- (iv) pursuant to Rule 13.5 of the Takeovers Code and Practice Note 6 to the Takeovers Code, "see-through" price should be considered as minimum offer price for the Warrants,


we are of the view that the Warrant Offer at the Warrant Offer Price is fair and reasonable so far as the Independent Warrant Holders are concerned and is in the interests of the Independent Warrant Holders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Warrant Holders to accept the Warrant Offer.

Nonetheless, if any Independent Warrant Holders who would like to realise their investment in the open market and/or identify potential purchaser(s) to acquire their Warrants at a price higher than the Warrant Offer Price, those Independent Warrant Holders may consider not accepting the Warrant Offer but selling their Warrants in the open market and/or to such potential purchaser(s), if they wish to do so and as they think fit having regard to their individual circumstances and investment objectives, particularly in the case that the net proceeds from the sale of their Warrants would exceed the net amount receivable under the Warrant Offer.

In addition, the Independent Shareholders and Independent Warrant Holders should closely monitor the market price and liquidity of the Shares and Warrants during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. In any event, the Independent Shareholders and the Independent Warrant Holders should note that there is no guarantee that the prevailing level of the Share price and Warrant price will sustain during and after the Offer Period. Those Independent Shareholders or Independent Warrant Holders who decide to retain part or all of their investment in the Shares and/or Warrants should also carefully monitor the financial performance of the Group, the Share price and the Warrant price as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investment in the Shares and/or Warrants after the close of the Offers in view of the historical low trading liquidity.

The Independent Shareholders and the Independent Warrant Holders are also reminded to read carefully the procedures for accepting the Offers, details of which are set out in Appendix I to the Composite Document and the accompanying Form(s) of Acceptance, if they wish to accept the Offers.

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**

  
**T.Y. Yeung**  
President

  
**Jenny Law**  
Vice President

*Mr. T.Y. Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. T.Y. Yeung has over 13 years' experience in the corporate finance industry.*

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