

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Wang Yang Holdings Limited, you should at once hand this Composite Document and the accompanying Form 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 the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained in this Composite Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim 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 Form of Acceptance.

**Central Culture Resource
Group Limited**

*(Incorporated in the British Virgin Islands
with limited liability)*

Wang Yang Holdings Limited

泓盈控股有限公司

*(Incorporated in the Cayman Islands
with limited liability)*

(Stock Code: 1735)

**COMPOSITE DOCUMENT RELATING TO THE
UNCONDITIONAL MANDATORY CASH OFFER
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES OF WANG YANG 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



華泰金融控股(香港)有限公司

HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Independent Financial Adviser to the Independent Board Committee



**Innovax
Capital**

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

A letter from Huatai Financial containing, among other things, details of the terms and conditions of the Offer are set out on pages 7 to 16 of this Composite Document. A letter from the Board is set out on pages 17 to 22 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 25 to 50 of this Composite Document.

The terms and procedures of acceptance of the Offer and other related information are set out on pages I-1 to I-10 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, by no later than 4:00 p.m. on Friday, 4 October 2019 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with 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 Form 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 and the paragraph headed "8. Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due from such Overseas Shareholders in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

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

13 September 2019

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EXPECTED TIMETABLE

The timetable set out below is indicative and may be subject to changes. Any change to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. All the time and date references contained in this Composite Document and accompanying Form of Acceptance refer to Hong Kong times and dates.

Despatch date of this Composite Document and accompanying the Form of Acceptance (<i>Note 1</i>)	Friday, 13 September 2019
Offer opens for acceptance (<i>Note 1</i>)	Friday, 13 September 2019
Latest time and date for acceptance of the Offer (<i>Note 2</i>)	4:00 p.m. on Friday, 4 October 2019
Closing Date (<i>Note 2</i>)	Friday, 4 October 2019
Announcement of the results of the Offer on the website of the Stock Exchange (<i>Note 2</i>)	by 7:00 p.m. on Friday, 4 October 2019
Latest date of posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 2 and 3</i>)	Wednesday, 16 October 2019

Notes:

1. The Offer, which is unconditional in all respects, is made on 13 September 2019, the date of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the paragraph headed “6. Right of withdrawal” in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is at 4:00 p.m. on 4 October 2019 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS. Further details in this regard have been set out in Appendix I to this Composite Document.

EXPECTED TIMETABLE

The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

- (i) 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 Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, in which cases the latest time for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or
 - (ii) 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 Offer or the latest date for posting of remittance for the amounts due under the Offer in respect of valid acceptances, in which cases the latest time for acceptance of the Offer or the latest date for posting of remittance for the amounts due under the Offer in respect of valid acceptances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.
3. Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of the duly completed and signed Form of Acceptance and of all relevant documents of title of the Offer Shares required to render such acceptance complete and valid in accordance with the Takeovers Code.

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

IMPORTANT NOTICES

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek professional legal advice. Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, 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 from the accepting Shareholder(s) due from him/her in such jurisdiction. Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. Please refer to the section headed “Overseas Shareholders” in the letter from Huatai Financial contained in this Composite Document and the section headed “8. Overseas Shareholders” in Appendix I to this Composite Document.

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 facts are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and the Takeovers Code.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	a day on which the Stock Exchange is open for transaction of business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Friday, 4 October 2019, being the closing date of the Offer or any subsequent closing date of the Offer as may be extended or revised in accordance with the Takeovers Code
“Company”	Wang Yang Holdings Limited (泓盈控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1735)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the SPA
“Completion Date”	the date on which the Completion took place, being 12 August 2019
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code, containing, among other things, details of the Offer, the Form of Acceptance, as may be revised or supplemented as appropriate
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Facility Agreement”	the facility agreement dated 8 August 2019 by, among others, the Offeror as borrower, Mr. Yu as guarantor, Huatai Financial as mandated lead arranger, facility agent, security agent and the Offer Facility A lender and Head & Shoulders as the Offer Facility B lender
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares accompanying this Composite Document
“Group”	the Company and its subsidiaries from time to time
“Head & Shoulders”	Head & Shoulders Securities Limited, a licensed corporation, licensed with the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huatai Financial”	Huatai Financial Holdings (Hong Kong) Limited, a licensed corporation, licensed with the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu, formed to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation, licensed with the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholders other than the Offeror and parties acting in concert with it

DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Joint Announcement”	the announcement jointly issued by the Company and the Offeror dated 16 August 2019 in relation to, among others, the Offer
“Last Trading Day”	8 August 2019, being the last full trading day of the Shares immediately prior to the suspension of trading in the Shares on the Stock Exchange immediately before the release of the Joint Announcement
“Latest Practicable Date”	10 September 2019, 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, as amended, supplemented or otherwise modified from time to time
“Mr. Benjamin Ng”	Mr. Ng Chi Bun Benjamin (吳志斌), an executive Director, the chief executive officer and one of the Controlling Shareholders of the Company, a director and 25% beneficial owner of the Vendor
“Ms. KY Tsui	Ms. Tsui Kwok Ying (徐軾英), a non-executive Director, the chairman of the Board and one of the Controlling Shareholders of the Company, a director and 62.5% beneficial owner of the Vendor
“Ms. May Ng”	Ms. Ng Chung Yan May (吳頌恩), an executive Director and one of the Controlling Shareholders of the Company, a director and 12.5% beneficial owner of the Vendor
“Offer”	the unconditional mandatory cash offer being made by Huatai Financial for and on behalf of the Offeror, to acquire the Offer Shares on the terms and conditions set out in this Composite Document and in accordance with the Takeovers Code
“Offer Facility A”	the loan facility in the aggregate principal amount of HK\$230,000,000 granted by Huatai Financial (as lender) to the Offeror (as borrower) in accordance with the terms of the Facility Agreement for financing part of the consideration of the sale and purchase of the Sale Shares

DEFINITIONS

“Offer Facility B”	the loan facility in the aggregate principal amount of HK\$70,000,000 granted by Head & Shoulders (as lender) to the Offeror (as borrower) in accordance with the terms of the Facility Agreement for financing part of the consideration of the Offer
“Offer Facilities”	collectively, the Offer Facility A and the Offer Facility B
“Offer Period”	the period commencing on 16 August 2019, being the date of the Joint Announcement, up to and including the Closing Date
“Offer Price”	the price at which each of the Offer Shares will be made, being HK\$2.1213 per Offer Share payable by the Offeror to the Independent Shareholder(s) accepting the Offer
“Offer Share(s)”	the Share(s) subject to the Offer, being all of the Share(s) in issue other than those Shares owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Offeror”	Central Culture Resource Group Limited, a company incorporated in the BVI with limited liability, being the purchaser of the Sale Shares under the SPA and the Offeror in respect of the Offer
“Offeror Guarantor” or “Mr. Yu”	Mr. Yu Zhuyun (余竹雲), the sole director and sole beneficial owner of the Offeror
“Overseas Shareholder(s)”	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 (excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of the Company, situated at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong
“Relevant Period”	the period commencing on the date falling six months before 16 August 2019, being the date of commencement of the Offer Period, up to and including the Latest Practicable Date

DEFINITIONS

“Sale Share(s)”	198,000,000 Shares acquired by the Offeror pursuant to the SPA, which represents 75% of the total issued Shares as at the Completion 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)”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Share Charges”	(i) the share charge entered into by the Offeror as chargor in favour of Huatai Financial as security agent dated 8 August 2019 whereby, among others, the Offeror charged the Sale Shares and the Shares to be acquired by the Offeror in the Offer; and (ii) the share charge entered into by Mr. Yu as chargor in favour of Huatai Financial as security agent dated 8 August 2019 whereby Mr. Yu charged the entire issued shares of the Offeror, each as security for the Offer Facilities
“Shareholder(s)”	holder(s) of the Shares
“SPA”	the sale and purchase agreement dated 8 August 2019 and entered into among the Offeror, the Vendor, the Offeror Guarantor and the Vendor Guarantors in respect of the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Vendor”	the vendor of the Sale Shares, being Profound Contractors Limited, a company incorporated in the BVI with limited liability which is beneficially owned as to 62.5% by Ms. KY Tsui, 25% by Mr. Benjamin Ng and 12.5% by Ms. May Ng
“Vendor Guarantors”	Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng
“%”	per cent

DEFINITIONS

1. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
2. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are included for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or Chinese translation of such English names or words, respectively.
3. The singular includes the plural and vice versa, unless the context otherwise requires.
4. References to any Appendix, paragraph and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
6. Reference to one gender is a reference to all or any gender.



華泰金融控股(香港)有限公司
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Room 4201 42/F, 62/F, The Center
99 Queens Road Central
Hong Kong

13 September 2019

To the Independent Shareholders

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES OF WANG YANG 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.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold, own or have control or direction over any voting rights or rights over the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 198,000,000 Shares, representing 75% of the issued Shares of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offer, the information on the Offeror and its intention in relation to the Company. Further details of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Your attention is also drawn to information contained in the letter from the Board, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendices set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

LETTER FROM HUATAI FINANCIAL

THE OFFER

Huatai Financial, on behalf of the Offeror and in compliance with the Takeovers Code, hereby make the Offer on the terms to be set out in this Composite Document to be issued in accordance with the Takeovers Code on the following basis:

Principal terms of the Offer

The Offer

For each Offer Share..... HK\$2.1213 in cash

The Offer Price of HK\$2.1213 per Offer Share is approximately equal to the purchase price per Sale Share under the SPA which was arrived at after arm's length negotiation between the parties to the Offeror and the Vendor.

As at the Latest Practicable Date, the Company had 264,000,000 Shares in issue. The Company did not have outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. Taking into account 198,000,000 Shares that are already owned or agreed to be acquired by the Offeror and parties acting in concert with it, a total of 66,000,000 Shares will be subject to the Offer.

The Offer is unconditional in all respects. The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date on which the Offer is made (i.e. the date of despatch of this Composite Document) or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of despatch of this Composite Document). The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

Comparisons of value

The Offer Price of HK\$2.1213 per Offer Share represents:

- (i) a discount of approximately 60.0508% to the closing price of HK\$5.31 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of 47.6222% to the closing price of HK\$4.05 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM HUATAI FINANCIAL

- (iii) a discount of approximately 47.3361% to the average closing price of HK\$4.0280 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.2709% to the average closing price of HK\$3.8760 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 42.3042% to the average closing price of HK\$3.6767 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 222.7818% over the audited consolidated net asset value of the Group of approximately HK\$0.6572 per Share (based on the total number of issued Shares of 264,000,000 Shares as at the Last Trading Day) as at 31 March 2019, the date to which the latest audited consolidated annual results of the Group were made up.

As (a) the consideration per Sale Share represented a premium over the audited consolidated net asset value of the Group as at 31 March 2019; (b) the Company recorded a loss of approximately HK\$11 million for the year ended 31 March 2019 as compared to a profit of approximately HK\$10.7 million for the year ended 31 March 2018; (c) the recent political and financial instabilities in Hong Kong caused uncertainty in business environment; (d) Offeror's background and prior experience in real estate development and construction industries in the PRC may provide strategic opportunities to the Group, the Vendor agreed to sell the Sale Shares at a discount as compared to the closing prices of the Shares as quoted on the Stock Exchange on the aforesaid trading days.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$6.05 per Share as quoted on the Stock Exchange on 22 August 2019 and the lowest closing price of the Shares was HK\$1.79 per Share as quoted on the Stock Exchange on 15 March 2019.

Value of the Offer

As at the Latest Practicable Date, there were 264,000,000 Shares in issue. Excluding 198,000,000 Shares held by the Offeror and parties acting in concert with it, the number of Shares subject to the Offer is 66,000,000 Shares. The Company does not have any outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Assuming that there is no change in the number of issued Shares and on the basis of the Offer Price at HK\$2.1213 per Share, the Offer is valued at approximately HK\$140,005,800.

LETTER FROM HUATAI FINANCIAL

Confirmation of financial resources

The cash consideration paid for the Sale Shares was satisfied by a combination of (i) the Offer Facility A in the principal amount of HK\$230,000,000 granted by Huatai Financial under the Facility Agreement; and (ii) internal resources of the Offeror amounted to HK\$190,000,000. As security to the Offer Facilities, the Offeror has, among others, entered into the Share Charges where, among others, all of the Sale Shares and the Shares to be acquired by the Offeror in the Offer will be charged in favour of Huatai Financial as security agent under the Facility Agreement.

The Offeror intends to finance the consideration payable under the Offer by a combination of (i) the Offer Facility B in the principal amount of HK\$70,000,000 granted by Head & Shoulders under the Facility Agreement; and (ii) internal resources of the Offeror amounted to approximately HK\$70,105,000. By reason of being the lender of the Offer Facility B under the Facility Agreement, Head & Shoulders is presumed to be acting in concert with the Offeror in relation to the Offer pursuant to class (9) of the definition of “acting in concert” under the Takeovers Code.

Huatai Financial, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of fund required to be payable by the Offeror upon full acceptance of the Offer.

Effect of accepting the Offer

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

By accepting the Offer, the Independent Shareholders will constitute a warranty by such person that all Offer Shares to be sold by such person under the Offer are fully paid and free from all encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Independent Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer which are included in this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event, within seven Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid pursuant to the Takeovers Code.

LETTER FROM HUATAI FINANCIAL

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% 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 Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, the Vendor Huatai Financial, Head & Shoulders and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. The Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek their own professional legal advice. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas jurisdictions in connection with the acceptance of the Offer (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 from such Overseas Shareholders in respect of such overseas jurisdictions).

If the receipt of this Composite Document by Overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, this Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

According to the register of members of the Company as at the Latest Practicable Date, there were two Overseas Shareholders with registered address located in the PRC.

LETTER FROM HUATAI FINANCIAL

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

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

Shareholders	Immediately before		Immediately following Completion	
	Completion		and as at the	
	<i>Number of</i>	<i>% of issued</i>	<i>Number of</i>	<i>% of issued</i>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Profound Contractors Limited <i>(Note)</i>	198,000,000	75%	—	—
Offeror and parties acting concert with it	—	—	198,000,000	75%
Public Shareholders	<u>66,000,000</u>	<u>25%</u>	<u>66,000,000</u>	<u>25%</u>
Total	<u>264,000,000</u>	<u>100.00%</u>	<u>264,000,000</u>	<u>100.00%</u>

Note: Profound Contractors Limited is beneficially owned as to 62.5%, 25% and 12.5% by Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng respectively as at the Latest Practicable Date. Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng are directors of Profound Contractors Limited. Mr. Benjamin Ng and Ms. May Ng are the executive Directors and Ms. KY Tsui is a non-executive Director.

INFORMATION ON THE PARTIES

The Group

Details of the information on the Group are set out in the paragraph headed “Information on the Group” in the “LETTER FROM THE BOARD” in this Composite Document.

LETTER FROM HUATAI FINANCIAL

The Offeror

The Offeror is a limited liability company incorporated in the BVI with limited liability. The Offeror is an investment holding company and its entire issued share capital is beneficially and directly held by Mr. Yu. As at the Latest Practicable Date, the Offeror is interested in 198,000,000 Shares.

Mr. Yu, aged 45, is the sole beneficial owner and sole director of the Offeror. Mr. Yu obtained a Master Degree of Business Administration from Hong Kong Baptist University in November 2007 and was awarded an EMBA from Cheung Kong Graduate School of Business in September 2013. He is an entrepreneur with over 15 years of experience primarily in the property development and investment industry in the PRC. Mr. Yu started his own business and founded 安徽中環控股集團有限公司 (Anhui Central Holding Group Company Limited, for identification purposes only) in the PRC in 2004 which is mainly engaged in real estate development, commercial property leasing, environmentally friendly construction, cultural and creative industry, smart logistics and health and wellness industry in the PRC.

Intention of the Offeror on the Group

Upon Completion, the Offeror became a Controlling Shareholder. The Offeror intends to continue the existing businesses and operations of the Group which include the undertaking of foundation works, superstructure building works and other construction works in Hong Kong. The Offeror has no intention to enter into any arrangement, agreement, understanding or negotiation to dispose of or to downsize the existing businesses of the Group. With Mr. Yu's personal background and management experience in various industries including real estate development and environmentally friendly construction industries in the PRC, the Offeror will leverage the Company's existing management team to explore related business opportunities in Hong Kong and the PRC in future.

The Offeror will, following the close of the Offer, conduct a review of the financial position, operations, existing investments and proposed investments of the Group in order to formulate a long-term strategy for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue bases. The Offeror intends to leverage its experience, expertise and network in the PRC to explore further investment opportunities for the Group. As at the Latest Practicable Date, the Offeror had not identified such investment or business opportunities and there had not been any discussions or negotiations between the Offeror and any third parties regarding injections of assets or business into, or disposals of assets or business of the Group.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment except for the proposed change of the Board composition as detailed in the section sub-headed "Proposed change to the Board composition" below.

LETTER FROM HUATAI FINANCIAL

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

Other arrangements

There is no understanding, arrangement or agreement or special deal under Rule 25 of the Takeovers Code between (i) any Shareholder (including their respective concert parties); and (ii)(a) the Offeror and/or parties acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

Apart from the consideration for the Sale Shares, there are no any other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and/or parties acting in concert with it to the Vendor and/or parties acting in concert with it in connection with the sale and purchase of the Sale Shares.

Apart from the sale and purchase of the Sale Shares pursuant to the SPA, there is no understanding, arrangement, agreement or special deal under Rule 25 of the Takeovers Code between the Offeror and/or parties acting in concert with it on the one hand, and the Vendor and/or parties acting in concert with it on the other hand.

Proposed change to the Board composition

The Board is currently made up of two executive Directors, being Mr. Benjamin Ng and Ms. May Ng, one non-executive Director, being Ms. KY Tsui, and three independent non-executive Directors, being Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu. Pursuant to the SPA, the Vendor shall procure all the existing Directors to resign with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable regulations. Nevertheless, the current executive Directors shall remain as management and/or directors at subsidiary levels of the Group focusing on operations after the change of Board composition. It is the intention of the Offeror, with the continual services of the existing management team of the Group, to continue to carry out the future plan and business strategies set out in the prospectus of the Company dated 19 March 2018.

The Offeror intends to nominate new Directors to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. The Offeror is in the process of identifying suitable candidates and further announcement(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

LETTER FROM HUATAI FINANCIAL

Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

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

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

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

As the Company and the Offeror are unable to ascertain at this stage the level of acceptance by the Independent Shareholders under the Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

GENERAL INFORMATION

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 the jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those registered Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer. Attention of the Overseas Shareholders is drawn to the section headed “Important notices” contained in this Composite Document and the paragraph headed “8. Overseas Shareholders” in Appendix I to this Composite Document.

All documents and remittances to be sent to the Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of the members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. None of the Offeror, the Company, and their

LETTER FROM HUATAI FINANCIAL

respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION ABOUT THE OFFER

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the Form of Acceptance, which form part of this Composite Document. You are reminded to carefully read the letter from the Board, the letter from the Independent Board Committee, 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 Offer.

Yours faithfully,
For and on behalf of
Huatai Financial Holdings (Hong Kong) Limited
Fok Chi Tat Michael
Managing Director

LETTER FROM THE BOARD

WANG YANG HOLDINGS LIMITED

泓盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1735)

Executive Directors:

Mr. Ng Chi Bun Benjamin

(Chief Executive Officer)

Ms. Ng Chung Yan May

Non-executive Director:

Ms. Tsui Kwok Ying *(Chairman)*

Independent non-executive Directors:

Mr. Yau Chung Hang

Mr. Pong Kam Keung

Mr. Lo Ki Chiu

Registered office in the

Cayman Islands:

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Headquarters and Principal Place of

Business in Hong Kong:

Offices E & F, 7th Floor

King Palace Plaza

No. 55 King Yip Street

Kwun Tong

Kowloon

Hong Kong

13 September 2019

To the Independent Shareholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF
CENTRAL CULTURE RESOURCE GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
WANG YANG HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY CENTRAL CULTURE RESOURCE
GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the unconditional mandatory cash offer being made by Huatai Financial Holdings (Hong Kong) Limited for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM THE BOARD

As disclosed in the Joint Announcement, on 8 August 2019 (after trading hours), the Offeror as purchaser and the Offeror Guarantor (as purchaser's guarantor) entered into the SPA with Profound Contractors Limited as the Vendor and Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng (as the Vendor's guarantors), pursuant to which the Offeror agreed to acquire 198,000,000 Shares from the Vendor, representing 75% of the total issued share capital of the Company as at the Latest Practicable Date, at a total consideration of HK\$420,000,000 (equivalent to approximately HK\$2.1212 per Sale Share). As disclosed in the Joint Announcement, the Completion took place on 12 August 2019.

As mentioned in the "Letter from Huatai Financial" contained in this Composite Document, immediately prior to the Completion, none of the Offeror and parties acting in concert with it held, owned, had control or had direction over any voting rights or rights over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Pursuant to the SPA and immediately upon the Completion, 198,000,000 Shares are held by the Offeror. Upon the Completion and as at the Latest Practicable Date, the Offeror is interested in 198,000,000 Shares, representing 75% of the entire issued share capital of the Company which together held voting rights in the Company of 75%. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

As at the Latest Practicable Date, the Company has 264,000,000 Shares in issue. Save for the 264,000,000 issued Shares, the Company did not have any outstanding convertible securities, options, warrants derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. Taking into account 198,000,000 Shares that are already owned or agreed to be acquired by the Offeror and parties acting in concert with it, a total of 66,000,000 Shares will be subject to the Offer.

This letter forms part of this Composite Document. The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in respect of the Offer.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu, all being the independent non-executive Directors who have no direct or indirect interest in the Offer, has been established pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Offer, as to whether the terms of the Offer are fair and reasonable and as to acceptance of the

LETTER FROM THE BOARD

Offer. Given that Ms. KY Tsui, the non-executive Director, is one of the shareholders of the Vendor and is considered to have a material interest in the Offer, Ms. KY Tsui did not form part of the Independent Board Committee. As the above-named independent non-executive Directors have no direct or indirect interest or involvement in the Offer, it is considered appropriate for them to be members of the Independent Board Committee in this regard.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

THE OFFER

As set out in the “Letter from Huatai Financial” contained in this Composite Document, Huatai Financial is making the Offer for and on behalf of the Offeror on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$2.1213 in cash

The Offer Price is approximately equal to the purchase price per Sale Share paid by the Offeror under the SPA. The Offer is unconditional in all respects.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of this Composite Document).

Please also refer to the “Letter from Huatai Financial” contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance for further information in relation to, among other things, the Offer and acceptance and settlement procedures of the Offer.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company acts as an investment holding company and its subsidiaries are principally engaged in undertaking (i) foundation works; (ii) superstructure building works; and (iii) other construction works in Hong Kong as a contractor.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before the Completion; (ii) after the Completion and as at the Latest Practicable Date:

	Immediately before		After Completion	
	Completion		and as at the Latest	
	Practicable Date			
	<i>Number of</i>	<i>% of issued</i>	<i>Number of</i>	<i>% of issued</i>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Offeror and parties acting concert with it	0	0	198,000,000	75
Vendor (<i>Note 1</i>)	198,000,000	75	0	0
Public Shareholders	<u>66,000,000</u>	<u>25</u>	<u>66,000,000</u>	<u>25</u>
Total	<u>264,000,000</u>	<u>100.00</u>	<u>264,000,000</u>	<u>100.00</u>

Notes:

- The Vendor is beneficially owned as to 62.5%, 25% and 12.5% by Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng respectively as at the date of this Composite Document. Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng are the directors of the Vendor. Mr. Benjamin Ng and Ms. May Ng are the executive Directors and Ms. KY Tsui is a non-executive Director.
- Save as disclosed in note 1, there is no other Director holding the Shares (i) immediately before the Completion; (ii) immediately after the Completion and as at the date of this joint announcement.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Parties — The Offeror” in the “Letter from Huatai Financial” as contained in this Composite Document for the information on the Offeror.

INTENTION OF THE OFFEROR ON THE GROUP AND THE PROPOSED CHANGE OF COMPOSITION OF THE BOARD

Your attention is drawn to the sections headed “Intention of the Offeror on the Group”, “Compulsory Acquisition”, “Public float and maintaining the listing status of the Company” and “Proposed change to the Board composition” in the “Letter from Huatai Financial” contained in this Composite Document for details regarding Offeror’s intention on the business of the Group, including the proposed change of Board composition and maintaining the listing status of the Company. The Board is aware of the intention of the Offeror that the Offeror intends to continue the existing businesses and operations of the Group which include the undertaking of foundation works, superstructure building works and other construction works in Hong Kong and that the Offeror has no intention to terminate the employment of any employees of the Group (except for the proposed change of Board composite set out in the section headed “Proposed change to the Board composition” in the “Letter from Huatai Financial” contained in this Composite Document) or redeploy the fixed assets of the Group

LETTER FROM THE BOARD

other than those in its ordinary and usual course of business. The Board is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

PUBLIC FLOAT AND MAINTAINING LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

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

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

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

As the Company and the Offeror are unable to ascertain at this stage the level of acceptance by the Independent Shareholders under the Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

COMPULSORY ACQUISITION

The Offeror indicates that it does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

ADVICE AND RECOMMENDATION

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established to make recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Innovax Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and in particular as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

LETTER FROM THE BOARD

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 23 to 24 of this Composite Document, and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 25 to 50 of this Composite Document, which contains, among other things, their advice and recommendation to the Independent Board Committee and the Independent Shareholders respectively in respect of the Offer, the principal factors and reasons they have considered before arriving at their respective recommendation and advice.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer. In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
By order of the Board
Wang Yang Holdings Limited
Tsui Kwok Ying
Chairman and non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.

WANG YANG HOLDINGS LIMITED

泓盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1735)

13 September 2019

To the Independent Shareholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF
CENTRAL CULTURE RESOURCE GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
WANG YANG HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY CENTRAL CULTURE RESOURCE
GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 13 September 2019 jointly issued by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer.

Innovax Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise us in respect of the terms of the Offer and as to the acceptance of the Offer. Details of its advice and the principal factors and reasons considered by it in arriving at its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” (the “**IFA Letter**”) on pages 25 to 50 of the Composite Document.

We also wish to draw your attention to the “Letter from Huatai Financial” and the “Letter from the Board” as set out in the Composite Document as well as the additional information set out in the appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

ADVICE AND RECOMMENDATIONS

Having taken into account the terms of the Offer, the advice and recommendation of the Independent Financial Adviser contained in the IFA Letter and the principal factors, reasons and recommendations considered by it in arriving its advice and recommendation, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. The Independent Shareholders are recommended to read the full text of the IFA Letter set out in the Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Offer. Should the market price of the Shares exceed the Offer Price during the period of the Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Offer and are strongly advised that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of the
the Independent Board Committee
Wang Yang Holdings Limited

Mr. Yau Chung Hang
Independent non-executive
Director

Mr. Pong Kam Keung
Independent non-executive
Director

Mr. Lo Ki Chiu
Independent non-executive
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Innovax Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this Composite Document, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer.



13 September 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED FOR AND
ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES OF WANG YANG HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Offer, details of which are set out in the Composite Document dated 13 September 2019 jointly issued by the Company and the Offeror to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

Reference is made to the Joint Announcement dated 16 August 2019 that, on 8 August 2019, after trading hours, the Offeror (as purchaser) and the Offeror Guarantor (as vendor's guarantors) entered into the SPA with the Vendor and the Vendor Guarantors (as vendor's guarantors) pursuant to which the Offeror has agreed to acquire and the Vendor has agreed to sell the Sale Shares, representing 75% of the total issued share capital of the Company as at the date of the Joint Announcement, at a total consideration of HK\$420,000,000 (equivalent to approximately HK\$2.1212 per Sale Share), which was determined after arm's length negotiation between the Vendor and the Offeror with reference to, among others, the audited consolidated net assets of the Group as at 31 March 2019, results of operations of the Group and the control premium (when compared to the audited consolidated net assets of the Group as at 31 March 2019) attributable to the Sale Shares. Completion was not subject to any conditions and took place on 12 August 2019. Immediately following Completion and as at the date of the Joint Announcement, the Offeror and parties acting in concert with it are interested in 198,000,000 Shares, representing 75% of the issued Shares of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

As at the date of the Joint Announcement, the Company had 264,000,000 Shares in issue. The Company did not have any outstanding convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue which may confer any rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities which are convertible or exchangeable into Shares as at the date of the Joint Announcement. Taking into account 198,000,000 Shares that are already owned or agreed to be acquired by the Offeror and parties acting in concert with it, a total of 66,000,000 Shares will be subject to the Offer.

The Independent Board Committee comprising Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu, all being the independent non-executive Directors who have no direct or indirect interest in the Offer, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Offer, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Given that Mr. KY Tsui, the non-executive Director, is one of the shareholders of the Vendor and is considered to have a material interest in the Offer, Mr. KY Tsui shall not form part of the Independent Board Committee. The Board considers that members of the Independent Board Committee are therefore independent and able to consider the terms of the Offer and make recommendation to the Independent Shareholders.

We, Innovax Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between us and the Group or the Offeror. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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II. BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee, we have reviewed, amongst others, the Joint Announcement, the annual reports of the Company for the years ended 31 March 2018 and 2019 (the “**Annual Report 2018**” and “**Annual Report 2019**”, respectively), the unaudited consolidated management accounts of the Group for the three months ended 30 June 2019 and the information contained in the Composite Document. We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the business and outlook of the Group.

We have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document were true, accurate and complete in all material respects at the time when they were made and continue to be true, accurate and complete in all material respects at the Latest Practicable Date and should there be any material changes to our opinion after the date of the Composite Document, shareholders would be notified as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. We have also relied on our discussion with the Management and its representatives regarding the Group and the Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Management and its representatives respectively in the Composite Document were reasonably made after due enquiry. Our opinion is based on the Directors’ representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone between the Group and/or the Offeror concerning the Offer.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Offeror or their respective associates and carried out any independent verification of the information supplied.

We have not considered the tax and regulation implications on the Independent Shareholders arising from acceptance or non-acceptance of the Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred to the Independent Shareholders as a result of the Offer. In particular, the Independent Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advisers on tax matters.

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III. PRINCIPAL TERMS OF THE OFFER

Huatai Financial will, on behalf of the Offeror and in compliance with the Takeovers Code, make the Offer to acquire all the Offer Shares on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share..... HK\$2.1213 in cash

The Offer is unconditional in all respects. The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date on which the Offer is made (i.e. the date of despatch of the Composite Document) or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of despatch of the Composite Document). The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

For further details of the Offer (including the terms and procedures for acceptance of the Offer), please refer to the “Letter from Huatai Financial” as set out on pages 7 to 16 of the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendations on the Offer, we have taken the following principal factors and reasons into consideration:

1. Business, financial performance and prospects of the Group

Basic information of the Group

The Company is incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the business of foundation works and superstructure building works in Hong Kong.

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Historical financial performance of the Group

Set out below are the audited consolidated financial information of the Group for the three years ended 31 March 2019 as extracted from Annual Report 2018 and Annual Report 2019:

Exhibit 1

	For the year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Revenue			
— Foundation works and superstructure building works	184,363	215,692	199,288
Gross Profit	49,257	50,673	7,968
Net profit/(loss) after tax for the year	26,956	10,728	(10,814)
	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)
Total assets	138,447	225,531	202,087
Total liabilities	52,902	38,378	28,588
Net assets	85,545	187,153	173,499

As set out in the Annual Report 2018, the Group's recorded revenue of approximately HK\$215.7 million for the year ended 31 March 2018, representing an increase of approximately 17.0% as compared to that for the year ended 31 March 2017. Such increase was mainly attributable to (i) 13 newly awarded projects which contributed revenue of approximately HK\$49.1 million to the Group for the year ended 31 March 2018; and (ii) a higher amount of revenue recognised from two residential development projects in Kowloon Tong for the year ended 31 March 2018 when compared to recognised revenue of these projects for the year ended 31 March 2017, primarily due to more actual works completed and certified by the customers.

The Group recorded gross profit of approximately HK\$50.7 million for the year ended 31 March 2018, representing a slight increase of approximately 2.9% as compared to that for the year ended 31 March 2017. Such increase was mainly due to the increase in revenue for the year ended 31 March 2018 as discussed above, partially offset by the increase in cost of sales, primarily due to the increase in the use of the subcontractors in performing the works for the year ended 31 March 2018,

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of which the Directors of the Group considered that a profit markup is generally factored in the fees charged by subcontractors. As such, the Group recorded a slight decrease in gross profit margin from approximately 26.7% for the year ended 31 March 2017 to approximately 23.5% for the year ended 31 March 2018.

The Group recorded net profit after tax for the year ended 31 March 2018 of approximately HK\$10.7 million, represented a decrease of approximately 60.2% as compared to that for the year ended 31 March 2017. Such decrease was mainly due to the increase in administrative and other operating expenses, primarily as a result of the listing expenses of approximately HK\$18.9 million incurred for the year ended 31 March 2018. By excluding the listing expense, the Group's net profit after tax remained relatively stable.

The Group's net assets increased significantly from approximately HK\$85.5 million as at 31 March 2017 to approximately HK\$187.2 million as at 31 March 2018, representing an increase of 118.8%. Such increase was mainly attributable to the increase in cash and bank balances from the proceeds of the Company's share offer.

As set out in the Annual Report 2019, the Group recorded revenue of approximately HK\$199.3 million for the year ended 31 March 2019, representing a decrease of approximately 7.6% as compared to that for the year ended 31 March 2018. Such decrease was mainly attributable to (i) the decrease in the number of projects commenced for the year ended 31 March 2019 as compared to that for the year ended 31 March 2018; (ii) the prolonged construction periods of existing projects; and (iii) a higher amount of revenue was recognised from the projects completed for the year ended 31 March 2018 as compared to that for the year ended 31 March 2019.

The Group recorded gross profit of approximately HK\$8.0 million for the year ended 31 March 2019, represented a decrease of approximately 84.3% as compared to that for the year ended 31 March 2018. Such decrease was mainly due to the decrease in revenue as discussed above and the increase in direct costs as a result of (i) additional works with variation orders for the project at the Waterloo Road, of which the certification of the variation orders were still under negotiation with the relevant customer; (ii) prolonged construction periods of works for the project at Island Road due to change in building plans; and (iii) extra costs incurred due to unexpected complexity encountered in the construction works for the projects at the Carpenter Road, the Waterloo Road and the Lau Fau Shan. As such, the Group's gross profit margin decreased from approximately 23.5% for the year ended 31 March 2018 to approximately 4.0% to the year ended 31 March 2019.

The Group recorded net loss after tax for the year ended 31 March 2019 of approximately HK\$10.8 million compared to net profit after tax for the year ended 31 March 2018 of approximately HK\$10.7 million, mainly due to the decrease in

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gross profit as discussed above, and partially net off by the decrease in administrative and other operating expenses as no listing expenses were incurred for the year ended 31 March 2019.

The Group's net assets were approximately HK\$173.5 million as at 31 March 2019, which was slightly lower than the Group's net assets of approximately HK\$187.2 million as at 31 March 2018. Such decrease was mainly attributable to net loss after tax recognised for the year ended 31 March 2019.

Business prospects of the Group

The general growth for the construction industry in Hong Kong largely depends on the support by the government of the Hong Kong Special Administrative Region's (the "**Hong Kong Government**") investment in infrastructure and property construction projects. For instance, as proposed in the 2017 Policy Address, the Hong Kong Government planned to launch the "Operation Building Bright 2.0" at cost of around HK\$3.0 billion, which subsidy would be provided to owner-occupiers of aged residential or composite buildings with ratable values not exceeding the prescribed level for undertaking primarily inspections of their buildings and repair works as required under the Mandatory Building Inspection Scheme. According to the 2018 Policy Address and the 2019/2020 Land Sale Programme, the 10-year period housing supply target decreased slightly to 450,000 units from 460,000 units as announced in the financial year 2018/2019. In particular, the private housing land supply target decreased to 13,500 flats for the financial year 2019/2020 from 18,000 flats for the financial year 2018/2019. Further, the Hong Kong Government planned to provide 15 residential sites in the financial year 2019/2020 with estimated flat number of 8,850, as compared to 27 residential sites in the financial year 2018/2019 with estimated flat number of 15,250. This suggests that the number of new property development projects is expected to drop and hence, new business opportunity of foundation and superstructure building works may decrease in the near future.

The construction industry is also expected to face potential political challenges. For instance, the filibuster in the Legislative Council of Hong Kong has caused delay to public projects, which could slow down the construction industry as a whole. Filibuster in the Legislative Council refers to the legislative procedure to block or delay the approval of funding or proposed bills by the committees of the Legislative Council. It may decrease the number of building construction projects in the industry since it potentially led to disapproval or delay of public projects and/or existing projects, particularly for infrastructure and public building construction projects in Hong Kong. Since public projects initiated by the Hong Kong Government might be impacted by filibusters, number of building construction projects may decrease and thus lower the demand for foundation and superstructure building works.

Pursuant to the First Quarter Economic Report 2019 published by the Hong Kong Government, the Hong Kong economy expanded modestly by 0.6% in the first quarter of 2019, slower than its growth of 1.2% in the preceding quarter. Exports were adversely affected by the weaker performance of the global economy and

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various external headwinds, including the uncertainties stemming from the US trade policy, Brexit and geopolitical tensions. Domestic demand also lacked momentum, reflecting the cautious local economic sentiment amid a challenging external environment. Further, private consumption expenditure only showed marginal expansion in the face of the challenging economic environment, though this was also partly due to the exceptionally high base of comparison in the same quarter of last year. Overall investment expenditure continued to fall as business sentiment has turned cautious since the latter part of last year. Meanwhile, the labour market remained tight and consumer price inflation went down slightly. Against the aforementioned global and local economic uncertainty as well as the potential drop in number of new property development projects, the Group's outlook remains uncertain and challenging towards the construction industry, the Management has been proactively seeking for opportunities to create maximum returns for the shareholders.

Subsequent to 31 March 2019 and up to the Latest Practicable Date, the Group has been awarded with 5 additional projects with a total contract sum of approximately HK\$208.8 million. Despite such business opportunities, the Group's gross profit margin is under pressure, having considered the risk of continuous increase in construction costs mainly attributable to labour shortages and rising construction material and operating costs.

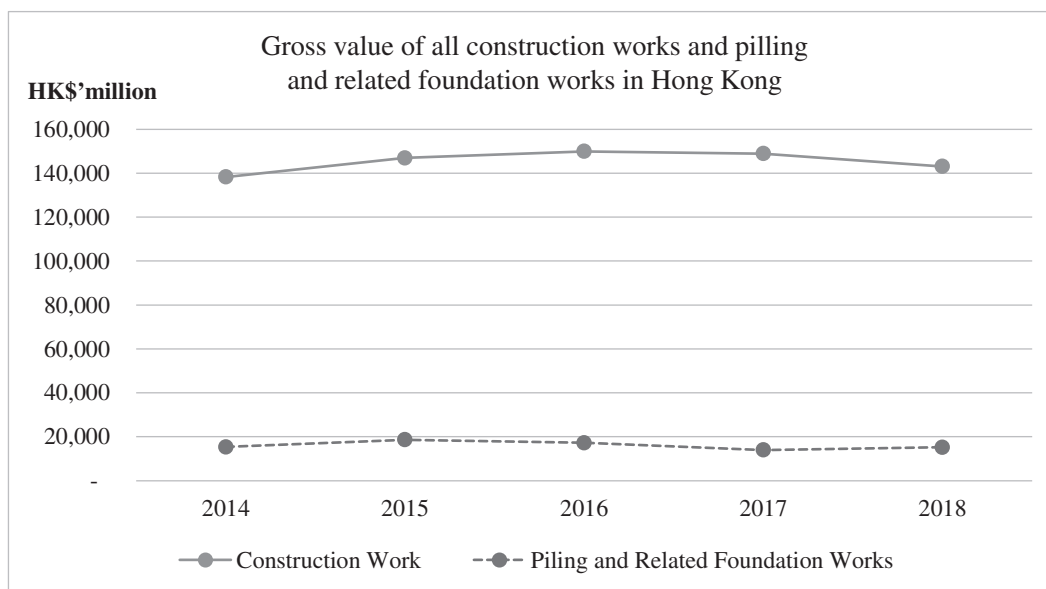
According to the Hong Kong Construction Industry Council, registered construction workers who aged 50 or above accounted for approximately 41.5% in 2018. In addition, according to a report on skilled construction worker forecast in Hong Kong published in May 2019 by the Construction Industry Council, the forecasted shortage for skilled workers is expected to be around 5,000 to 10,000 for 2019 to 2023. The persisting trend of labour shortage will ultimately lead to an increase in the overall operating cost for the construction industry.

Further, the construction industry has been facing increasing operating costs attributed to increasing wage rate and increasing building material costs. The trend of increasing operating costs is expected to continue which could result in lower profit margin and pose a threat to the growth of the industry.

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We have conducted research on the construction industry in Hong Kong through public domain. Set out below is the diagram showing the gross value of all construction works and piling and related foundation works in Hong Kong in nominal terms performed by main contractors from 2014 to 2018:

Exhibit 2



Source: Census and Statistics Department and Development Bureau

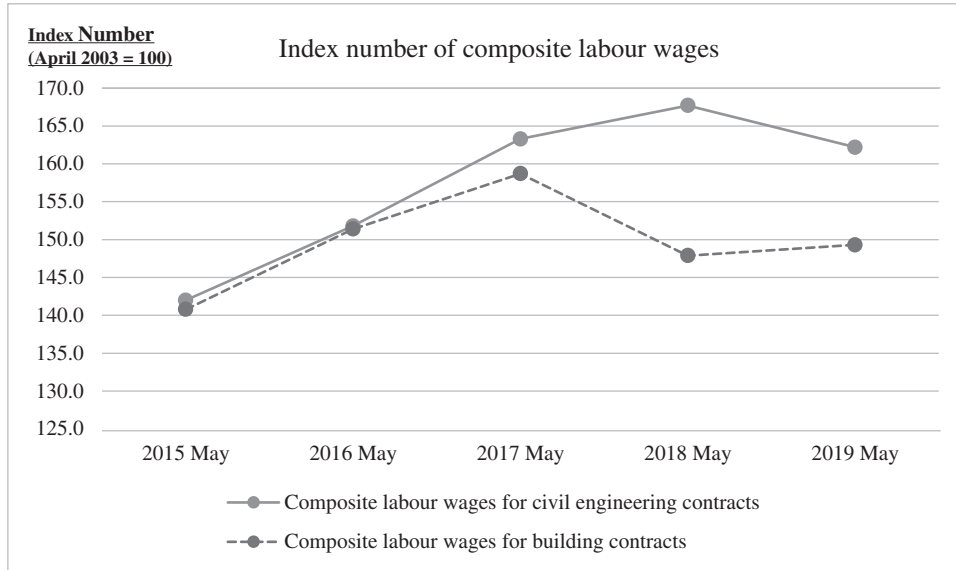
As illustrated in the Exhibit 2, the gross value (at constant (2000) market price) of all construction works in Hong Kong demonstrated an increasing trend from 2014 to 2018 from approximately HK\$138,285 million in 2014 to approximately HK\$143,136 million in 2018, representing a compound annual growth rate (“CAGR”) of approximately 0.87%. However, the gross value of piling and related foundation works remained relatively stable from approximately HK\$15,380 million in 2014 to approximately HK\$15,175 million in 2018, representing a negative CAGR of approximately 0.33%.

The statistics aforementioned reflected that, while the whole construction industry is generally growing at a steadily rate, the foundation market did not seem to show the same momentum as the other parts of the construction industry. Further, the competition in the construction industry is very keen. According to the Census and Statistics Department, the number of establishments in the industry section of construction increased from 22,312 in 2013 to 24,841 in 2017, representing a CAGR of approximately 3.64%, demonstrating that the entire construction industry is facing an increasingly intense rivalry in terms of new entrants.

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In addition to the atmosphere of the construction industry, the continuing escalation of labour costs is considered to be another critical factor for the prospects of the Group. Based on our research from public domains, set out below is the diagram showing the index number of composite labour wage for civil engineering contracts and building contracts from May 2015 to May 2019:

Exhibit 3



Source: Census and Statistics Department

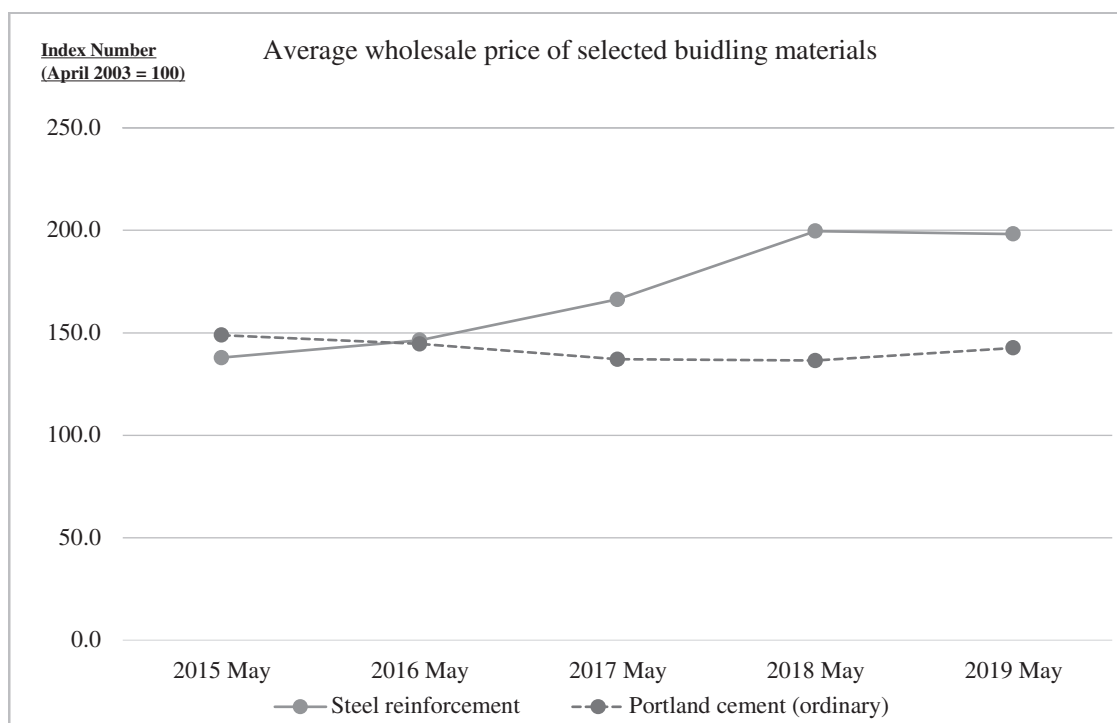
Note: April 2003 is adopted as the base period (i.e. April 2003 = 100)

As set out in Exhibit 3 above, the index number of composite labour wages for civil engineering contracts and building contracts increased from 142.0 and 140.8 in May 2015 to 162.2 and 149.3 in May 2019, representing a CAGR of approximately 3.4% and 1.5%, respectively.

Apart from the rise in labour cost, the material cost has also been increasing in recent years. Set out below is the chart showing the average wholesale prices of two common building materials used by the Group during its usual and ordinary course of business, namely steel reinforcements and concrete (of which cement is a major ingredient).

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Exhibit 4



Source: Census and Statistics Department

Note: April 2003 is adopted as the base period (i.e. April 2003 = 100)

As set out in Exhibit 4 above, the index number of Portland cement, being the common type of cement used in Hong Kong, remained relatively stable at 148.9 in May 2015 and 142.6 in May 2019. However, the index number of steel reinforcement increased significantly from 137.9 in May 2015 to 198.2 in May 2019, representing a CAGR of approximately 9.5%. As set out in the Annual Report 2019, the fierce competition within the market coupled with tight labour supply and increased costs of labour and raw materials affected the Group's success in the tenders as well as the gross profit and gross profit margin of the projects in the past. The Directors are of the view that the business environment in which the Group operates becomes tough and the Group's gross profit and gross profit margin will continue to be under pressure from low bidding price on the tenders, which will in turn affect the business performance of the Group. Further, we also obtained and reviewed the unaudited consolidated management accounts of the Group for the three months ended 30 June 2019 that the Group recorded an unaudited loss for the three months ended 30 June 2019 as compared to an unaudited profit for the three months ended 30 June 2018. Despite the Group recorded increase in revenue for the three months ended 30 June 2019 compared to that for the three months ended 30 June 2018, the turnaround from net profit position to net loss position was principally attributable to the decrease in gross profit margin due to the increase in direct cost incurred from unexpected complexity arose from construction works for three construction projects at the Austin Avenue, the Carpenter Road and the Lau Fau

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Shan, Hong Kong. Such complexity of works involved, among others, (i) discovery of additional underground utilities despite site inspection was conducted, (ii) additional requirements in excavation and lateral support planning; and (iii) additional drainage works and additional baffle inside grease trap in relation to the drawings for submission to the Hong Kong Environmental Protection Department. As a result of such works complexity, construction works have been prolonged and/or varied and resulted in the increase in direct cost.

After taking into consideration of (i) the Group's current loss making operations; (ii) potential reduction in number of property development projects pursuant to the development plan of the Hong Kong Government; (iii) the potential political challenges and strong competition among the construction industry players; and (iv) the continual escalation in labour cost and material cost, the Group's outlook remains uncertain and challenging. Therefore, we are of the opinion that the Offer provides a ready exit for the Independent Shareholders to realise their investments in the Shares which may not exist in the open market.

The Group had not identified any investment or business opportunities nor had the Group entered into any related agreements, arrangements, understandings or negotiation relating to the Group's intention set out in the preceding paragraph, and there is no plan on any injection or disposal of any assets or businesses into/out of the Group as at the Latest Practicable Date. Independent Shareholders who are confident of the Group's prospects may consider not accepting the Offer. However, they should carefully consider the risks and uncertainties.

2. Information on the Offer and Offer Price

Offer price comparison

The Offer Price of HK\$2.1213 per Offer Share represents:

- (i) a discount of approximately 60.0508% to the closing price of HK\$5.31 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 47.6222% to the closing price of HK\$4.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 47.3361% to the average closing price of HK\$4.0280 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.2709% to the average closing price of HK\$3.8760 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

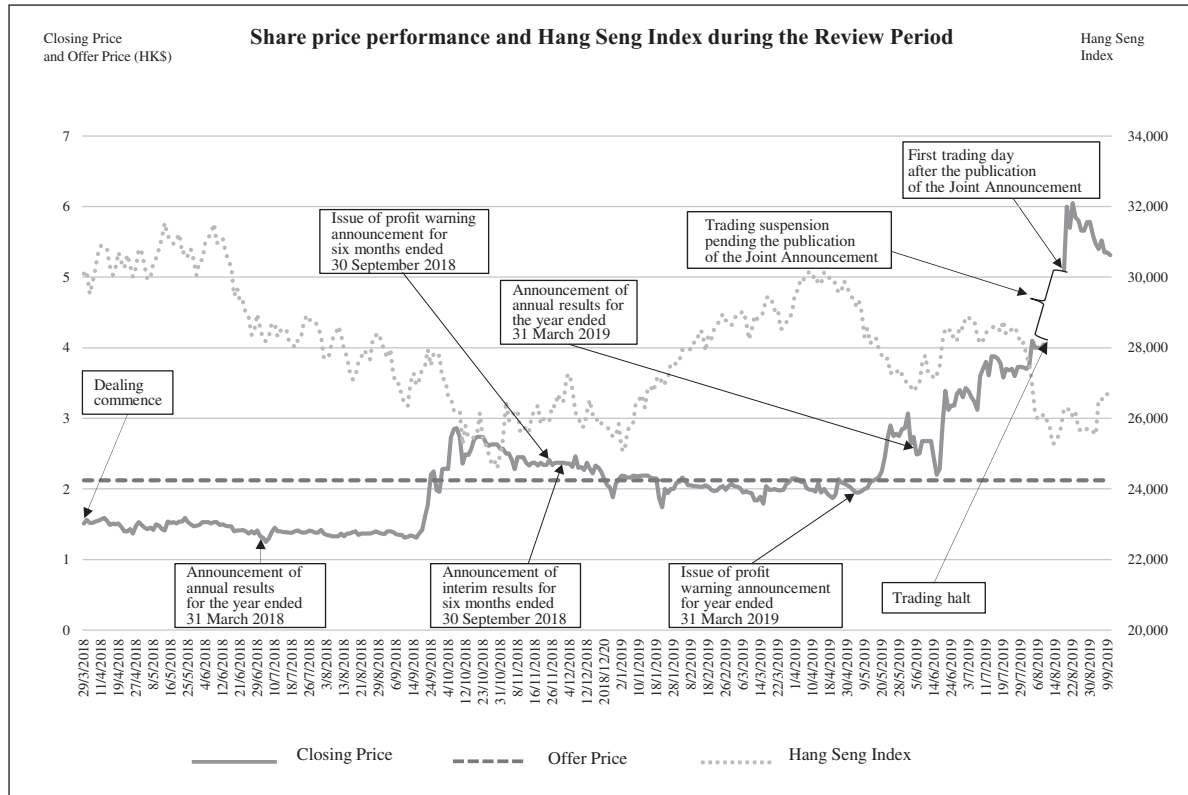
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- (v) a discount of approximately 42.3042% to the average closing price of HK\$3.6767 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 222.7818% over the audited consolidated net asset value of the Group of approximately HK\$0.6572 per Share (based on the total number of issued Shares of 264,000,000 Shares as at the Last Trading Day) as at 31 March 2019, the date to which the latest audited consolidated annual results of the Group were made up.

Historical price performance of the Shares

The graph below illustrates the historical closing prices of the Shares as quoted on the Main Board of the Stock Exchange during the period from 29 March 2018, being the Listing Date to the Last Trading Day and further up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent closing price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Offer Price. The comparison of daily closing prices of the Shares and the Offer Price is illustrated as follows.

Exhibit 5



Source: the website of the Stock Exchange (www.hkex.com.hk), Bloomberg

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As an open market, the Hong Kong stock market is prone to risks of volatile capital flows. According to Bloomberg, although there was a trend for the Hang Seng Index to go up during majority of the Review Period, there was a sharp downturn during the period from 29 March 2018 to 26 October 2018 with the largest single-day drop of approximately 725.5 points on 4 April 2018, which is equivalent to approximately 2.4% of the preceding trading day of Hang Seng Index at 30,180.1 points (being the greatest single-day drop during the Review Period). As illustrated in Exhibit 5 above, the closing price of the Share has been fluctuating during the Review Period, with the closing prices of the Shares ranged from the lowest of HK\$1.25 per Share on 5 July 2018 to the highest of HK\$6.05 per Share on 22 August 2019 and an average closing price of approximately HK\$2.266 per Share.

Despite the Group had published profit warning announcement on 8 May 2019 and the annual results announcement for the year ended 31 March 2019 on 31 May 2019 to reveal the Group's loss making position for the period, the closing prices of the Shares has been fluctuating but generally increasing since mid-June of 2019. We are not aware of any other announcements published by the Group in respect of the financial or operational performance except for the above. We also observed that the Hang Seng Index has similar pattern as compared to that of the closing price of the Shares during the same period since mid-June of 2019 to mid-July of 2019 under review. However, based on the historical pattern of fluctuations of the closing price of the Shares, we are of the view that there is no absolute correlation between the closing price of the Share and Hang Seng Index. Shortly after the publication of the Joint Announcement, the closing prices of the Shares increased sharply from HK\$4.05 per Share on 8 August 2019 (being the Last Trading Day) to HK\$5.10 per Share on 19 August 2019 (being the first day of the publication of the Joint Announcement). The closing price of the Share further surged to HK\$6.05 per Share on 22 August 2019 and declined to HK\$5.31 per Shares on 10 September 2019. We have enquired of the Directors regarding the possible reasons for such change in share price and the Directors advised us that they were not aware of any particular reasons which might have affected the price of the Share.

We also noted that in general, the closing prices have been fluctuating, with the Offer Price being below the closing prices of the Shares for most of the trading days within the Review Period (i.e. 196 trading days out of 350 trading days). Despite the Offer Price represents a discount of approximately 6.40% to the average closing price of the Shares during the Review Period, Independent Shareholders should note that the market price of the Shares may or may not drop after the end of the Offer Period as the historical Share price movement seems to be unrelated to the fundamentals of the Company.

Having considered that (i) the closing prices have been fluctuating, with the Offer Price being below the closing prices of the Shares for most of the trading days within the Review Period; (ii) the Offer Price represents a significant premium of approximately 222.78% over the net asset value per Share of the Company; and (iii) there is a sharp increase in the closing prices of the Shares after the release of the Joint Announcement which may be the market reaction to the change in Controlling Shareholder and there is no assurance on the future price level, we are of the view that the Offer Price and the discount are fair and reasonable so far as the Independent Shareholders are concerned.

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Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

Historical trading liquidity of the Shares

Apart from the daily closing price of the Shares, we have also performed a review on the average daily trading volume per month (the “**Average Daily Volume**”) of the Shares in the Review Period, which is commonly used for analysis purpose to illustrate the liquidity of the Shares.

Exhibit 6

Month/Period	Total trading volume (No. of Shares)	Average daily trading volume (No. of Shares)	Percentage of the average daily trading volume to the total number of issued Shares (Note 1)	Percentage of the average daily trading volume to the number of issued Shares held by public Shareholders (Note 2)
March 2018 (Note 3)	97,030,000	97,030,000	36.75%	147.02%
April 2018	94,286,000	4,962,421	1.88%	7.52%
May 2018	28,854,000	1,374,000	0.52%	2.08%
June 2018	7,096,000	354,800	0.13%	0.54%
July 2018	5,450,000	259,524	0.10%	0.39%
August 2018	6,624,000	288,000	0.11%	0.44%
September 2018	27,760,000	1,461,053	0.55%	2.21%
October 2018	16,062,000	764,857	0.29%	1.16%
November 2018	12,154,000	450,148	0.17%	0.68%
December 2018	2,744,000	196,000	0.07%	0.30%
January 2019	1,592,000	72,364	0.03%	0.11%
February 2019	14,636,000	860,941	0.33%	1.30%
March 2019	12,588,000	599,429	0.23%	0.91%
April 2019	29,252,000	1,539,579	0.58%	2.33%
May 2019	13,376,000	636,952	0.24%	0.97%
June 2019	34,900,700	1,836,879	0.70%	2.78%
July 2019	1,120,000	50,909	0.02%	0.08%
1 August 2019 up to 8 August 2019 (Note 4)	350,000	58,333	0.02%	0.09%
19 August 2019 to 30 August 2019	5,406,000	540,600	0.20%	0.82%
2 September 2019 to 10 September 2019 (the Latest Practicable Date)	1,108,000	158,286	0.06%	0.24%

Source: the website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. The calculation is based on the Average Daily Volume of the Shares divided by the total number of issued share of the Company as at the Latest Practicable Date (i.e. 264,000,000 Shares). There has been no change to the total number of issued share of the Company during the Review Period.
2. The calculation is based on the Average Daily Volume of the Shares divided by the number of Shares held by public Shareholders as at the Latest Practicable Date (i.e. 66,000,000 Shares).
3. The total trading volume in March 2018 included the 66,000,000 shares issued upon the listing of the Company.
4. Trading in the Shares was suspended at 9:00 a.m. on 9 August 2019 and resumed at 9:00 a.m. on 19 August 2019, pending the publication of the Joint Announcement.

As illustrated in Exhibit 6 above, except for March 2018 which only represented one-day data in respect of the listing date of the Company, the Average Daily Volume of Shares during the Review Period before the Last Trading Day ranged from approximately 50,909 Shares to approximately 4,962,421 Shares, representing approximately 0.02% to approximately 1.88% of the total number of Shares as at the Latest Practicable Date. On 19 August 2019 (being the first trading day after the publication of the Joint Announcement), the trading volume of the Shares was approximately 1,016,000 Shares and decreased to 34,000 Shares on the Latest Practicable Date.

Given the Average Daily Volume as a percentage of the total number of issued Shares as at the Latest Practicable Date for each month (except for March 2018 which only represented one-day data in respect of the listing date of the Company and including August 2019, the month of the release of the Joint Announcement) during the Review Period was less than 2.0%, we considered that the trading volume of the Shares was thin and the trading of the Shares did not appear to be active during the Review Period.

As discussed above, we noticed that the closing price of the Shares increased significantly since mid-June of 2019 and the Average Daily Volume from mid-June to the Latest Practicable Date was approximately 300,740 Shares, which represents only approximately 0.46% of the total number issued shares held by the public hands. Given the low liquidity in trading of the Shares and the historical share price movement of the Shares seems to be unrelated to the fundamentals of the Company, in the event that there are Independent Shareholders who wish to sell a significant number of the Shares in the market at a discount to the current market price, it may trigger a downward pressure on the market price of the Shares. Therefore, the Independent Shareholders, having regard to their own circumstances, who intend to dispose large blocks of Shares in the open market instead of accepting the Offer, are reminded to consider the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the prices of the Shares as a result. While the market price of the Shares may then fall below the Offer Price within the Offer Period, the Offer represents an assured opportunity for the Independent

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Shareholders, particularly for those who hold a large number of the Shares, to dispose of some or all of their Shares at the Offer Price if they so wish, without creating a significant downward pressure on the market trading price of the Shares.

Comparable analysis — price-to-earnings ratio and price-to-book ratio

Despite the Group was loss-making for the year ended 31 March 2019 and is not a company with significant amount of assets, we are of the view that the price-to-earning ratio (the “**PER**”) and the price-to-book ratio (the “**PBR**”) analysis, both being the commonly used benchmarks for valuation of companies, could provide a reference to the Independent Shareholder to assess the fairness and reasonableness of the Offer Price by comparing the Offer Price against the market valuation of other comparable companies as at the Latest Practicable Date. We have also observed that the said analysis is usually included for providing an analysis from a market valuation perspective, in particular for analysis in companies with general offer.

For comparison purpose, we have conducted a search of comparables which meet the criteria of (i) having listed on the Stock Exchange on the Latest Practicable Date; (ii) with market capitalisation comparable with that of the Group (i.e. with market capitalisation from HK\$500 million to HK\$1,500 million) as at the Latest Practicable Date given that the implied market capitalisation of the Group assumed by the Offer is approximately HK\$560 million; (iii) principally engaged in the construction business which is closely comparable with that of the Group in Hong Kong, that these comparable companies generated more than 50% of their consolidated revenues from construction business and generated more than 50% of their consolidated revenues from Hong Kong.

Based on the aforesaid selection criteria and based on our search conducted through published information on the website of the Stock Exchange, we have found an exhaustive list of 18 comparables companies (the “**Comparable(s)**”) that we consider the Comparables are sufficient and representative for us to form a view on the terms of the Offer.

As each of the Comparables has its own unique nature and characteristic in terms of, *inter alia*, business operation and environment, the comparison of the PER and PBR between the Comparables, the fundamentals of the Comparables may vary from each other and may not represent an identical comparison to the Group. The Independent Shareholders should note that the business operation and environment, market capitalisation, profitability and financial position of the Comparables are not equivalent to those of the Group and we have not conducted any in-depth investigation into the abovementioned business and affairs of the Comparables. Nevertheless, we performed such comparison for reference below.

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Exhibit 7

Number	Stock code	Company Name	Market capitalisation <i>HK\$'million</i> <i>(Note 1)</i>	Profit/(loss) for the year <i>HK\$'million</i> <i>(Note 2)</i>	Net assets for the year <i>HK\$'million</i> <i>(Note 2)</i>	PER <i>(times)</i> <i>(Note 3)</i>	PBR <i>(times)</i> <i>(Note 3)</i>
1	15	Vantage International (Holdings) Limited	1,043.6	739.9	4,533.7	1.4	0.2
2	331	FSE Services Group Limited	1,327.5	2,712.2	637.4	0.5	2.1
3	406	Yau Lee Holdings Limited	635.2	30.4	1,383.4	20.9	0.5
4	711	Asia Allied Infrastructure Holdings Limited	1,172.8	141.1	2,474.2	8.3	0.5
5	896	Hanson Construction Holdings Limited	1,221.8	578.0	3,779.4	2.1	0.3
6	994	CT Vision (International) Holdings Limited	618.1	17.4	342.9	35.5	1.8
7	1499	Leap Holdings Group Limited	789.3	(27.2)	341.7	N/A	2.3
8	1557	K. H. Group Holdings Limited	596.0	(29.1)	91.4	N/A	6.5
9	1627	Able Engineering Holdings Limited	950.0	141.4	1,312.6	6.7	0.7
10	1662	Yee Hop Holdings Limited	990.0	39.7	358.5	24.9	2.8
11	1683	Royal China International Holdings Limited	590.0	(16.6)	130.7	N/A	4.5
12	1707	Geotech Holdings Ltd.	705.6	5.3	191.7	132.2	3.7
13	1718	Wan Kei Group Holdings Limited	672.0	(55.2)	268.3	N/A	2.5
14	1826	Dafy Holdings Limited	1,133.4	51.3	167.7	22.1	6.8
15	1977	Analogue Holdings Limited	1,400.0	315.3	1,206.6	4.4	1.2
16	3878	Vicon Holdings Limited	980.0	29.2	288.8	33.6	3.4
17	8140	Bosa Technology Holdings Limited	944.0	(1.2)	22.1	N/A	42.7 ^(Note 5)
18	8522	Gain Plus Holdings Limited	610.1	38.3	159.6	15.9	3.8
		The Company	560.0 <i>(Note 4)</i>	(10.8)	173.5	N/A	3.2
						Maximum	132.2
						Minimum	0.5
						Average	23.7
						Median	15.9
							42.7
							0.2
							4.8
							2.4
						Maximum (Excluding Outlier)	132.2
						Minimum (Excluding Outlier)	0.5
						Average (Excluding Outlier)	23.7
						Median (Excluding Outlier)	15.9
							6.8
							0.2
							2.6
							2.3

Source: the website of the Stock Exchange (www.hkex.com.hk), Annual Reports of respective companies

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Notes:

1. The market capitalisation is calculated based on the share price and number of issued shares of the respective companies as of the Latest Practicable Date.
2. Based on the figures of the respective Comparables as published in their respective annual reports in the latest full financial year prior to the Latest Practicable Date.
3. The PER of the Comparables are calculated based on their respective market capitalisation divided by their respective profit or loss for the financial year as published in their respective latest annual reports. Since the Company recorded a net loss for the financial year ended 31 March 2019 such that its PER is considered to be not applicable for comparable purposes. The PERs of the Comparables are for illustration purposes only.

The PBR of the Comparables are calculated based on their respective market capitalisation divided by the consolidated net assets as disclosed in their respective latest published annual reports.

4. Market capitalisation of the Company is calculated based on the Offer Price multiplied by the total number of issued shares of 264,000,000 as of the Latest Practicable Date.
5. The outlier is considered by excluding the data which have exceeded the range of 1.5 times of the interquartile range.

As illustrated in Exhibit 7 above, we noted that the implied PBR of the Company, based on the Offer Price, is approximately 3.2 times. We considered that the implied PBR of approximately 3.2 times is higher than the median PBR of 2.4 times, and is within the range of PBRs of the Comparables from approximately 0.2 time to approximately 42.7 times. Despite the implied PBR of the Company based on the Offer Price is below the average PBRs of the Comparables of approximately 4.8 times, we notice from the Comparables that the PBR of Bosa Technology Holdings Limited (Stock code: 8140) is exceptionally high compared with those of the other Comparables. We are therefore of the view that the PBR of Bosa Technology Holdings Limited is an outlier. After excluding the outlier, it is observed that the Offer Price, considering that the implied PBR of the Company, is within the range of the PBRs of the Comparables of approximately 0.2 time to approximately 6.8 times and above the average of approximately 2.6 times and the median of approximately 2.3 times.

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Comparable analysis — General offer comparables

Among the above Comparables which are companies principally engaged in the construction business in Hong Kong, we have identified an exhaustive list of seven companies with eleven cases which had general offers (“**General Offer Comparables**”). The following cases were not selected based on a specific timeframe. We set out our findings in the table below.

Exhibit 8

Stock code	Company	Date of joint announcement/ announcement/ response announcement	Latest profit/ (loss) for the year prior to the date of joint announcement/ response announcement <i>(HK\$'000)</i> <i>(Note 1)</i>	Offer price (HK\$)	Price at last trading day (HK\$)	Premium/ (Discount)	Average closing price of last five consecutive trading days up to and including the last trading day (HK\$)	Premium/ (Discount)	Price at latest practicable date (HK\$)	Premium/ (Discount)	Net assets per share (latest published consolidated results) (HK\$)	Premium/ (Discount)
711	Asia Allied Infrastructure Holdings Limited	8 December 2016	301,950	1.08	0.71	52.1%	0.712	51.7%	1.08	0.0%	1.35	(20.0%)
711	Asia Allied Infrastructure Holdings Limited	20 October 2014	93,009	1.28	1.01	26.7%	1.024	25.0%	1.083	18.2%	1.514	(15.5%)
711	Asia Allied Infrastructure Holdings Limited	20 October 2014	93,009	1.099	1.01	8.8%	1.024	7.3%	1.1	(0.1%)	1.514	(27.4%)
994	CT Vision (International) Holdings Limited	14 February 2019	16,310	0.84	1.37	(38.7%)	1.23	(31.7%)	1.24	(32.3%)	0.5603	49.9%
1499	Leap Holdings Group Limited	23 January 2019	25,368	0.1585	0.39	(59.4%)	0.398	(60.2%)	0.163	(2.8%)	0.067	136.6%
1499	Leap Holdings Group Limited	19 September 2017	8,359	0.1236	0.27	(54.2%)	0.296	(58.2%)	0.27	(54.2%)	0.066	87.3%
1557	K. H. Group Holdings Limited	7 May 2018	(25,190)	1.9875	1.86	6.9%	1.82	9.2%	2.01	(1.1%)	0.31	541.1%
1683	Royal China International Holdings Limited	2 August 2018	(9,272) <i>(Note 2)</i>	0.9	0.89	1.1%	0.892	0.9%	0.91	(1.1%)	0.276	226.1%
1683	Royal China International Holdings Limited	23 December 2016	24,181	1.728	1.69	2.3%	1.678	3.0%	1.73	0.1%	0.313	452.1%
1707	Geotech Holdings Ltd.	29 November 2018	9,517	0.378	0.435	(13.1%)	0.465	(18.7%)	0.549	(31.1%)	0.136	177.9%
1826	Dafy Holdings Limited	21 November 2017	31,174	0.544	0.52	4.6%	0.427	27.4%	0.56	(2.9%)	0.073	643.6%
The Company				2.1213	4.05	(47.6%)	4.028	(47.3%)	5.31	(60.1%)	0.6572	222.8%
Maximum premium						52.1%	51.7%		18.2%		643.6%	
Maximum discount						(59.4%)	(60.2%)		(54.2%)		(27.4%)	
Average premium/(discount)						(5.7%)	(4.0%)		(9.8%)		204.7%	

Source: the website of the Stock Exchange (www.hkex.com.hk), composite offer documents, offer/response documents, annual reports of respective companies

Notes:

- Based on the figures of the respective General Offer Comparables as published in their respective annual reports in the latest full financial year prior to the publication of the respective joint announcement or response announcement.
- Represents figures for the fifteen months ended 31 December 2017 due to the changes in financial year end date from 30 September to 31 December.

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As illustrated in Exhibit 8 above, we noted that the Offer Price represents (i) a discount of approximately 47.6% to the closing price of the Share on the last trading day which was within the range of that of the offer prices of the General Offer Comparables from a maximum premium of approximately 52.1% to a maximum discount of approximately 59.4%; (ii) a discount of approximately 47.3% to the average closing prices of the Share for the last five consecutive trading days up to and including the last trading day which was within the range of that of the offer prices of the General Offer Comparables from a maximum premium of approximately 51.7% to a maximum discount of approximately 60.2%; (iii) a premium of approximately 222.8% over the consolidated net asset value of the Group as at 31 March 2019 which was within the range of that of the General Offer Comparables from a maximum premium of approximately 643.6% to a maximum discount of approximately 27.4%.

In addition, we noticed that the market has responded differently towards the respective announcement on general offers. For instance, in respect of the general offer of Asia Allied Infrastructure Holdings Limited (stock code: 711) on 8 December 2016, we noticed that the offer price represented a premium of approximately 52.1% and 51.7% to the last trading day and the average closing price of the last five consecutive trading days up to and including the last trading day, respectively, while the offer price equals to the share price at its latest practicable date, implying that the share price has gone up by approximately of 52.1% during the period from the joint announcement to the latest practicable date. On the other hand, in respect of the general offer of Leap Holdings Group Limited (stock code: 1499) on 23 January 2019, we noticed that the offer price represented a discount of approximately 59.4% and 60.2% to the last trading day and the average closing price of the last five consecutive trading days up to and including the last trading day, respectively, while the offer price only represented a discount of approximately 2.8% to the latest practicable date, implying that the share price has dropped by approximately of 58.2% during the period from the joint announcement to the latest practicable date.

Therefore, despite we noticed that the discount of the Offer Price to the closing price of the Share as at the Latest Practicable Date falls outside the range of that of the General Offer Comparables, and the discount of the offer price is larger than the average of the General Offer Comparables, it is observed that the Offer Price which was set at a discount to the current market price is not an unusual practice.

Further, it is observed from the General Offer Comparables that there is no absolute correlation between the business operation and environment, market capitalisation, profitability and financial position, the offer price of respective General Offer Comparables and the market reaction on share price of them. Nevertheless, Independent Shareholders shall consider the financial performance, business and industry prospects when considering the valuation of the Company and hence, whether to accept the Offer.

3. Information of the Offeror and the intention of the Offeror in relation to the Group

Background of the Offeror

As set out in the Letter from Huatai Financial in the Composite Document, the Offeror is a limited liability company incorporated in the BVI with limited liability. The Offeror is an investment holding company and its entire issued share capital is beneficially and directly held by Mr. Yu.

Mr. Yu, aged 45, is the sole beneficial owner and sole director of the Offeror. Mr. Yu obtained a Master Degree of Business Administration from Hong Kong Baptist University in November 2007 and was awarded an EMBA from Cheung Kong Graduate School of Business in September 2013. He is an entrepreneur with over 15 years of experience primarily in the property development and investment industry in the PRC. Mr. Yu started his own business and founded Anhui Central Holding Group Company Limited* (安徽中環控股集團有限公司) in the PRC in 2004 which is mainly engaged in real estate development, commercial property leasing, environmentally friendly construction, cultural and creative industry, smart logistics and health and wellness industry in the PRC.

The Offeror's intention in relation to the Group

Upon Completion, the Offeror will become a Controlling Shareholder. The Offeror intends to continue the existing businesses and operations of the Group which include the undertaking of foundation works, superstructure building works and other construction works in Hong Kong. The Offeror has no intention to enter into any arrangement, agreement, understanding or negotiation to dispose of or to downsize the existing businesses of the Group. With Mr. Yu's personal background and management experience in various industries including real estate development and environmentally friendly construction industries in the PRC, the Offeror will leverage on the Company's existing management team to explore related business opportunities in Hong Kong and the PRC in future. The Offeror will, following the close of the Offer, conduct a review of the financial position, operations, existing investments and proposed investments of the Group in order to formulate a long-term strategy for the Group and explore other business or investment opportunities to enhance its future development and strengthening its revenue bases. The Offeror intends to leverage its experience, expertise and network in the PRC to explore further investment opportunities for the Group. As at the Latest Practicable Date, the Offeror had not identified such business or investment opportunities and there had not been any discussion or negotiations between the Offeror and any third parties regarding injections of assets or business into, or disposals of assets or business of the Group. The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment except for the proposed change of the Board composition as detailed in the section sub-headed "Board Composition of the Company" below.

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Board Composition of the Company

The Board is currently made up of two executive Directors, being Mr. Benjamin Ng and Ms. May Ng, one non-executive Director, being Ms. KY Tsui, and three independent non-executive Directors, being Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu. Pursuant to the SPA, the Vendor shall procure all the existing Directors to resign with effect from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable regulations. Nevertheless, the current executive Directors shall remain as management and/or directors at subsidiary levels of the Group focusing on operations after the change of Board composition. It is the intention of the Offeror, with the continual services of the existing management team of the Group, to continue to carry out the future plan and business strategies set out in the prospectus of the Company dated 19 March 2018.

The Offeror intends to nominate new Directors to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. We have discussed with the Offeror and understand that they are in the process of carrying out background checking procedures and reviewing the qualification of several candidates to assess their suitability to be directors of the Company. However, the Offeror confirmed that no decision on proposed director(s) has been made as at the Latest Practicable Date. Further announcement(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

We were further advised by the Offeror and the Company that the current Directors will remain as the Directors to the Board until the Offeror has nominated and appointed the new Directors to the Board. We are of the view that these proposed changes in the Board may negatively affect the existing operation and business development of the Group during the transitional process from the existing Directors to the Proposed Directors such as additional time required by employees to adapt to the new management and/or directors. Independent Shareholders are advised to refer to further announcement(s) to be made by the Board and upon any changes to the composition to the Board.

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Maintenance of the listing status of the Company

As stated in the Letter from Huatai Financial in the Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. In the event that the public float of the Company falls below 25% following the close of the Offer, the Offeror and the new Directors to be appointed by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that at least 25% of the total number of used Shares will be held by the public within a reasonable time following the close of the Offer. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

Based on the above information, in view of (i) the sole director of the Offeror has no direct experience in the construction sector and has yet to have a confirmed detailed business plan for the Group as at the Latest Practicable Date; (ii) the existing Directors are intended to resign as Directors with effect from the earliest time permitted under the Takeovers Code; (iii) the Offeror is still in the process of identifying suitable candidates to be new Directors of the Board, and there is no guarantee that the new potential Directors will have direct working experience in the construction sector, the proposed changes in the Board may affect (i.e. negative impacts arising from the transitional process from the existing Directors to the Proposed Directors such as additional time required by employees to adapt to the new management and/or directors) the existing operation and business development of the Group.

V. RECOMMENDATION

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

- (i) the worsening financial performance of the Group for the year ended 31 March 2019 as discussed in the paragraph headed “IV. Principal Factors and Reasons Considered — 1. Business, financial performance and prospects of the Group — Historical Financial Performance”;
- (ii) the uncertainties and challenging business environment in respect of the construction industry as discussed in the paragraph headed “IV. Principal Factors and Reasons Considered — 1. Business, financial performance and prospects of the Group — Business prospects of the Group”;
- (iii) the closing price of the Share has been fluctuating during the Review Period and the recent upsurge in the closing price of the Share shortly after the publication of the Joint Announcement may not be sustainable;

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- (iv) the lack of liquidity of the Shares during the Review Period which may indicate uncertainty for the Independent Shareholders to dispose their entire block of their Shares in the market or dispose of their Shares in the market after the close of the Offer without triggering substantial price fall in the Shares despite of the recent upsurge of the price of the Share;
- (v) the Offer Price represents a significant premium of approximately 222.7818% over the audited consolidated net asset value per Share of the Company as at 31 March 2019;
- (vi) the Offer Price which was set at a discount to the current market price is not an unusual market practice; and
- (vii) the sole director of the Offeror has no direct experience in the construction sector and yet to have a confirmed detailed business plan for the Group, the existing Directors are intended to resign as Directors to the Board with effect from the earliest time permitted under the Takeovers Code, and the Offeror is still in the process of identifying suitable candidates to be new Directors of the Board. Despite we were advised by the Offeror and the Company that the current Directors will remain as the Directors to the Board until the Offeror has nominated and appointed the new Directors, there is no guarantee that the new potential Directors will have direct working experience in the construction sector and the proposed changes in the Board may negatively affect the existing operation and business development of the Group during the transitional process from the existing Directors to the Proposed Directors such as additional time required by employees to adapt to the new management and/or directors,

we are of the opinion that in such circumstances of the Group, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned.

Those Independent Shareholders who decide to retain part of all of their investments in the Shares should carefully consider the future intentions of the Offeror regarding the Company and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. For further details, Independent Shareholders should refer to the Letter from Huatai Financial.

Accordingly, we advise the Independent Board Committee to make recommendation to the Independent Shareholders to accept the Offer.

However, the Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and liquidity 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 Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offer in view of the recent upsurge of the Share price.

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For those Independent Shareholders who consider to retain their Shares, in full or in part, are reminded that there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Calvin Poon Richard Chu
Head of Corporate Finance Managing Director

Note: Mr. Calvin Poon and Mr. Richard Chu are licensed persons under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and regarded as responsible officers of Innovax Capital Limited. Mr. Calvin Poon and Mr. Richard Chu have over 15 years of experience in corporate finance industry.

* *For identification purpose only*

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

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

1.1 The Offer

- (a) To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.

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 Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed Form of Acceptance together with 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) for the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong in an envelope marked “**Wang Yang Holdings Limited — Offer**”, as soon as possible, and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.

- (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 the name of a nominee company or a name other than your own, and you wish to accept the Offer (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, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked “**Wang Yang Holdings Limited — Offer**” the duly completed and signed Form of 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) to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Wang Yang Holdings Limited — Offer**” the duly completed and signed Form of 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) to the Registrar; 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 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, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (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 not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked “**Wang Yang Holdings Limited — 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 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), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) 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 Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked “**Wang Yang Holdings Limited — Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Huatai Financial and/or the Offeror and/or any of 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 and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of 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) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) inserted in the Form of Acceptance, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is specified or if the total number of Shares specified in the Form of Acceptance is greater than the number of Shares tendered and you have signed the Form of Acceptance, you will be deemed to have accepted the Offer in respect of the Shares as shall be equal to the Shares tendered by you. If the number of Shares specified in the Form of Acceptance is smaller than the Shares tendered by you and you have signed the Form of Acceptance, you will be deemed to have accepted the Offer in respect of the Shares equal to the number of the Shares specified in the Form of Acceptance.
 - (iii) from a registered Shareholder or his personal representatives (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 other subparagraph of this paragraph (e)); or
 - (iv) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the 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 sellers' ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any Form of 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.

2. SETTLEMENT UNDER THE OFFER

2.1 The Offer

Provided that a valid Form of Acceptance and 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 respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders, who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the 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 within seven (7) Business Days following the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the 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.

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

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code. The Offer is unconditional.
- (b) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The benefit of any revision of the Offer will be available to any Independent Shareholder who has previously accepted the Offer. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.
- (c) If the Offer is extended or revised, the announcement of such extension or revision shall state the next closing date or that the Offer will remain open until further notice. For the latter case, at least 14 days' notice in writing will be given to the Independent Shareholders who have not accepted the Offer before the Offer is closed, and an announcement in respect thereof shall be released. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (d) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholders who accept the Offer become entitled to withdraw their acceptance under the paragraph headed "6. RIGHT OF WITHDRAWAL" of this appendix below and duly do so.
- (e) If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (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 Closing Date, the latest time and date for acceptance of the Offer 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 Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Shares whose investments are registered in the names of a nominee to provide instructions to their nominee of their intentions with regards to the Offer.

5. ANNOUNCEMENTS

- (a) 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 revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, or has expired.

The announcement must state the following:

- (i) the total number of Offer Shares for which acceptances for the Offer have been received;
- (ii) the total number of Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (iii) the total number of Shares acquired or agreed to be acquired by the Offeror and the persons acting in concert with the Offeror during the Offer Period.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number or principal amount of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in section 1 of this appendix, and which have been received by the Registrar (in respect of the Offer) no later than 4:00 p.m. on the Closing Date shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by any Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “5. ANNOUNCEMENTS” of this appendix above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (c) In such case, when any Independent Shareholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the 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) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risk.

7. STAMP DUTY

The seller’s Hong Kong ad valorem stamp duty arising in connection with the acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay its respective portion of the buyer’s ad valorem stamp duty (being 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares) in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

8. OVERSEAS SHAREHOLDERS

As the Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdictions in which they are resident, Overseas Shareholders should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek professional legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith (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 from such Overseas Shareholder in respect of such jurisdictions).

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

9. PAYMENT

Payment in cash in respect of acceptance of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed Form of Acceptance and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror or its agent acting on behalf of it to render each of such acceptance complete and valid pursuant to the Takeovers Code.

Settlement of the consideration to which any Independent Shareholder who accepts the Offer is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty in respect of the 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 Independent Shareholder. No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder will be rounded up to the nearest cent.

10. TAXATION ADVICE

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and/or parties acting in concert with it, the Company, Huatai Financial, the Vendor nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved is in a position to advise the Independent Shareholders on their individual tax implication in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

11. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificate(s), transfer receipts(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 Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, the Company, Huatai Financial, the Independent Financial Adviser, the Registrar or any of their respective directors and professional advisers or the company secretary of the Company, and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate either the Offer in any way.

- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror, Huatai Financial 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 Offer 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 it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares are free from all third party rights, pledges, charges, claim, community or other marital property interest, liens, mortgages, lease, security interests, attachments, pre-emption rights, options, restrictions, conditional sale agreement or other title retention agreement and any other encumbrances whatsoever and together with all rights accruing or attaching thereto including in the case of the Shares, the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date of this Composite Document.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties due from such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Save for the payment of stamp duty, settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the 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 Independent Shareholder.
- (j) Acceptances of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Company that the number of the Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.

- (k) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror, Huatai Financial knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (l) In making their decision, the Independent Shareholders 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 Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, the Company, Huatai Financial or the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (m) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (n) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.
- (o) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2017, 2018 AND 2019

The following is a summary of the financial results of the Group for each of the three years ended 31 March 2017, 2018 and 2019 which is extracted from the audited consolidated financial statements of the Group as set forth in the annual report of the Company for the financial year ended 31 March 2019.

Financial Summary

	For the year ended 31 March		
	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000
Revenue	199,228	215,692	184,363
Direct costs	<u>(191,260)</u>	<u>(165,019)</u>	<u>(135,106)</u>
Gross profit	7,968	50,673	49,257
Other income and net gains	1,512	138	—
Administrative and other operating expenses	<u>(18,852)</u>	<u>(33,729)</u>	<u>(16,774)</u>
Operation profit	(9,372)	17,082	32,483
Finance Cost	<u>—</u>	<u>—</u>	<u>(3)</u>
(Loss)/profit before income tax	(9,372)	17,082	32,480
Income tax expense	<u>(1,442)</u>	<u>(6,354)</u>	<u>(5,524)</u>
(Loss)/profit for the year	<u><u>(10,814)</u></u>	<u><u>10,728</u></u>	<u><u>26,956</u></u>
Other comprehensive expense			
<i>Items that may be reclassified to profit or loss:</i>			
— Change in fair value of debt instrument at fair value through other comprehensive income	29	—	—
— Adjustment for disposal of debt instrument at fair value through other comprehensive income	7	—	—
— Change in fair value of available-for-sale financial asset	—	(5)	—
— Reclassification adjustment for gain included in the consolidated statement of profit or loss upon disposal of available-for-sale financial asset	<u>—</u>	<u>(31)</u>	<u>—</u>
Other comprehensive income/(expense) for the year, net of tax	<u><u>36</u></u>	<u><u>(36)</u></u>	<u><u>—</u></u>
Total comprehensive (expense)/income for the year attributable to owners of the Company	<u><u>(10,778)</u></u>	<u><u>10,692</u></u>	<u><u>26,956</u></u>
	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted(loss)/earnings per share (HK cents)	<u><u>(4.10)</u></u>	<u><u>5.40</u></u>	<u><u>13.61</u></u>

The auditors of the Company for each of the three years ended 31 March 2017, 2018 and 2019, HLB Hodgson Impey Cheng Limited, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 March 2017, 2018 and 2019.

Material income/expenses which are exceptional

Save for the listing expenses of HK\$2.64 million and HK\$18.87 million that were incurred for the year ended 31 March 2017 and 2018 respectively, there were no items of any income or expense which were material in respect of the consolidated financial results of the Group for each of the three year ended 31 March 2017, 2018 and 2019.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2019

The audited consolidated financial statements of the Group for the year ended 31 March 2019 are contained in the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”) which was published on the websites of the Company (<http://www.wangyang.com.hk>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0705/ltn20190705699.pdf>).

(a) Consolidated Statement of Financial Position as at 31 March 2019

Please refer to pages 50 and 51 of the 2019 Annual Report.

(b) Consolidated Statement of Cash Flows for the year ended 31 March 2019

Please refer to page 53 of the 2019 Annual Report.

(c) Other Consolidated Financial Statements for the year ended 31 March 2019

- (i) Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2019

Please refer to page 49 of the 2019 Annual Report.

- (ii) Consolidated Statement of Changes in Equity for the year ended 31 March 2019

Please refer to page 52 of the 2019 Annual Report.

(d) Summary of Significant Accounting Policies and Notes to the Consolidated Financial Statements

Please refer to pages 54 to 103 of the 2019 Annual Report.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had no outstanding indebtedness.

Apart from intra-group liabilities, the Group did not, as at the close of business on 30 June 2019, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued or term loan, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or finance lease commitments, whether guaranteed, unguaranteed, secured and unsecured; (iii) mortgages or charges; or (iv) guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that, save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2019, 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.

Based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2019, the Group recorded an unaudited loss for the three months ended 30 June 2019 as compared to an unaudited profit for the three months ended 30 June 2018. The turnaround from net profit position for the three months ended 30 June 2018 to net loss position for the three months ended 30 June 2019 was principally attributable to the decrease in gross profit margin due to the increase in direct cost incurred from unexpected complexity arose from construction works of three construction projects of the Group at the Austin Avenue, the Carpenter Road and the Lau Fau Shan, Hong Kong during the three months ended 30 June 2019. Such complexity of works involves, among others, (i) discovery of additional underground utilities despite site inspection was conducted, (ii) additional requirements in excavation and lateral support planning; and (iii) additional drainage works and additional baffle inside grease trap in relation to the drawings for submission to the Hong Kong Environmental Protection Department. As a result of such works complexity, construction works have been prolonged and/or varied and resulted in the increase in direct cost.

1. RESPONSIBILITY STATEMENT

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, the Vendor and the Vendor Guarantors), and confirm, having made all reasonable enquiries, 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 INTEREST AND DEALINGS IN SECURITIES

As at the Latest Practicable Date:

- (i) save as the Sale Shares and the Shares dealt with under the Share Charges, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owns, holds or has control or discretion over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (ii) save for Mr. Yu holding the entire issued share capital of the Offeror and the Sale Shares, no director of the Offeror is interested in the shareholdings of the Offeror or the Company;
- (iii) none of the Offeror or any parties acting in concert with it owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares;
- (iv) none of the Offeror or any parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer;
- (v) save for the Facility Agreement and the Share Charges, 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 and which might be material to the Offer;
- (vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them has borrowed or lent; and
- (vii) save for the purchase of the Sale Shares by the Offeror pursuant to the SPA and the Share Charges, none of Offeror, its director and the parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares during the Relevant Period.

3. OTHER ARRANGEMENTS IN RELATION TO THE OFFER

- (i) as at the Latest Practicable Date, save for the Share Charges, the Offeror and parties acting in concert with it did not and had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons;
- (ii) as at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer;
- (iii) as at the Latest Practicable Date, save for the SPA, the Facility Agreement and the Share Charges, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it on the one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offer; and
- (iv) as at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

4. MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and the Latest Practicable Date:

Date	Closing price per Shares (HK\$)
28 February 2019	2.070
29 March 2019	2.150
30 April 2019	2.050
31 May 2019	3.070
28 June 2019	3.300
31 July 2019	3.700
8 August 2019 (being the Last Trading Day)	4.050
10 September 2019 (being the Latest Practicable Date)	5.310

During the Relevant Period, the highest and lowest closing prices per Share as quoted on the Stock Exchange were HK\$6.050 per Share on 22 August 2019 and HK\$1.790 per Share on 15 March 2019, respectively.

5. CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice contained in this Composite Document.

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Huatai Financial has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advices, letters and references to its name in the form and context in which they appear.

6. GENERAL

- (i) The Offeror is an investment holding company incorporated in the BVI on 12 August 2013 with limited liability, which is wholly-owned by Mr. Yu, who is also the sole director of the Offeror.
- (ii) The registered office of the Offeror is situated at Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, the BVI VG1110.
- (iii) The correspondence address of Mr. Yu is Office 5509, 55th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (iv) The registered office of Head & Shoulder is situated at Room 2511 25/F, Cosco Tower, 183 Queen's Road Central, Hong Kong.
- (v) The registered office of Huatai Financial is situated at Room 4201 42/F, 62/F, The Center, 99 Queens Road Central, Hong Kong.
- (vi) In the event of inconsistency, the English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business in Hong Kong of the Company at Offices E & F, 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong; (ii) on the websites of the SFC (<http://www.sfc.hk>); (iii) on the website of the Company (<http://www.wangyang.com.hk>) during the period from the date of this Composite Document onwards for so long as the Offer remains open for acceptance:

- (i) memorandum and articles of association of the Offeror;
- (ii) the letter from Huatai Financial, the text of which is set out on pages 7 to 16 of this Composite Document; and
- (iii) the written consent from Huatai Financial referred to in the paragraph headed “Consent and qualification” in this Appendix.

1. RESPONSIBILITY STATEMENT

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), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Offeror and parties acting in concert with it) 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 contained in this Composite Document misleading.

2. SHARE CAPITAL

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$50,000,000.00 comprising 5,000,000,000 Shares and the issued share capital of the Company was HK\$2,640,000.00 comprising 264,000,000 Shares.

As at the Latest Practicable Date, the Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares, and has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and had not entered into any agreement for the issue of such warrants, options, derivatives or securities of the Company.

All the existing Shares in issue are fully paid and rank pari passu with each other in all respects, including all rights in respect of dividends, voting and interests in capital.

Since 31 March 2019 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has not issued any Shares.

(b) Listing

The Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(i) Interests and short positions in the securities of the Company and its associated corporations of the Directors and chief executive

As at the Latest Practicable Date, none of the Directors and their respective associates nor 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), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions

7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein; or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”), notified to the Company and the Stock Exchange; or disclosed in this Composite Document pursuant to the Takeovers Code.

(ii) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of substantial Shareholders	Capacity/Nature of interest	No. of Shares held/ interested in	Percentage of the total issued share capital of the Company
The Offeror	Beneficial owner	198,000,000	75%
Mr. Yu	Interest in controlled corporation (<i>Note</i>)	198,000,000	75%

Note: These 198,000,000 Shares are held by the Offeror, which is direct wholly-owned by Mr. Yu who is also the sole director of the Offeror. Therefore, Mr. Yu is deemed, or taken to be, interested in all the Shares held by the Offeror for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the Directors were not aware of any other person (not being a Director and chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which would be required to be disclosed pursuant to the requirements of the Takeovers Code.

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period,

- (i) save for the sale of the Sale Shares under the SPA, none of the Company or the Directors had dealt for value in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares in the Company; and
- (ii) none of the Company or the Directors had owned or controlled, or had dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

During the Offer Period and up to the Latest Practicable Date:

- (a) 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;
- (b) save for the SPA, 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;
- (c) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

As at the Latest Practicable Date,

- (a) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers; and
- (c) 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.

5. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) no benefit (save that termination of appointment is subject to one month's notice or payment in lieu of notice) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) save for the SPA, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) save for the SPA, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a contract for appointment with the Company for a term of two years commencing from 29 March 2018, subject to rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company. The contract can be terminated by not less than one month's notice in writing served by either party on the other.

Pursuant to the contracts for appointment, each of the executive Directors, namely, Mr. Benjamin Ng and Ms. May Ng is entitled to a director's fee of HK\$150,000 and HK\$75,000 per month respectively together with allowance and discretionary bonuses to be determined by the Board with reference to the experience, duties and responsibilities of the executive Directors within the Company and to be approved by the remuneration committee and the Board of the Company.

Further, the non-executive Director, namely, Ms. KY Tsui, is entitled to a director's fee of HK\$50,000 per month together with allowance and discretionary bonuses to be determined by the Board with reference to her experience, duties and responsibilities within the Company and to be approved by the remuneration committee and the Board of the Company.

Besides, each of the independent non-executive Directors, namely, Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu, is entitled to a director's fee of HK\$150,000 per annum which was determined with reference to their duties and responsibilities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contracts with any member of the Group or any associated company of the Group:

- (i) which (including both continuous and fixed contracts) have been entered into or amended within the Relevant Period;
- (ii) which are continuous contracts with a notice period of 12 months or more;

- (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (iv) was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL CONTRACTS

Save as disclosed below, the Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date:

- (a) a sale and purchase agreement dated 8 March 2018 entered into between Profound Contractors Limited as vendor, the Company as purchaser and Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng as warrantors, pursuant to which the Company acquired 1 ordinary share in Steer Vision Limited from Profound Contractors Limited and as consideration for which 1 nil-paid Share of the Company held by Profound Contractors Limited was credited as fully paid and 9,999 Shares were allotted and issued to Profound Contractors Limited, all credited as fully paid;
- (b) an instrument of transfer dated 8 March 2018 and entered into between Profound Contractors Limited and the Company for the transfer of 1 ordinary share in Steer Vision Limited from Profound Contractors Limited to the Company as referred to in paragraph (a) above;
- (c) a deed of indemnity dated 13 March 2018 and signed by Profound Contractors Limited, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng in favour of the Company (on its own behalf and as trustee for each member of the Group) in relation to the provisions of certain indemnities;
- (d) a deed of non-competition entered into on 13 March 2018 and signed by Profound Contractors Limited, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng in favour of the Company (for itself and as trustee for its subsidiaries), in respect of certain non-competition undertakings;
- (e) a public offer underwriting agreement dated 16 March 2018 relating to the public offer entered into, among others, the Company, Mr. Benjamin Ng and Ms. May Ng as executive Directors, Profound Contractors Limited, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng as warranting shareholders, pursuant to which the Company agreed conditionally to initially offer 6,600,000 Shares of the Company to the public in Hong Kong for subscription, subject to re-allocation, under the public offer as defined in the prospectus of the Company dated 19 March 2018 (the “**Prospectus**”); and

- (f) a placing underwriting agreement dated 16 March 2018 relating to the placing entered into, among others, the Company, Mr. Benjamin Ng and Ms. May Ng as executive Directors, Profound Contractors Limited, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng as warranting shareholders, pursuant to which the Company agreed conditionally to place 59,400,000 Shares being offered by the Company for subscription, subject to re-allocation, under the placing as defined in the Prospectus.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance were known to the Directors to be pending or threatened against any member of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the name and qualification of the professional adviser whose letter, opinion or advice is contained or referred to in this Composite Document:

Name	Qualification
Innovax Capital Limited	a licensed corporation, licensed with the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Offer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

Each of Innovax Capital Limited and HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice, letter, recommendation or report, as the case may be, and the references to its name and logo in the form and context in which they are respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (<http://www.wangyang.com.hk>); (ii) on the website of the SFC (<http://www.sfc.hk>); and (iii) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business in Hong Kong of the Company at Offices E & F, 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapse or are withdrawn (whichever is earlier):

- (i) the amended and restated memorandum and articles of association of the Company;

- (ii) the annual report of the Company for the year ended 31 March 2019;
- (iii) the annual report of the Company for the year ended 31 March 2018;
- (iv) the interim report of the Company for the six months ended 30 September 2018;
- (v) the letter from the Board, the text of which is set out on pages 17 to 22 of this Composite Document;
- (vi) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 23 to 24 of this Composite Document;
- (vii) the letter from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 50 of this Composite Document;
- (viii) the letter from HLB Hodgson Impey Cheng Limited on the profit estimate, the text of which is set out on pages V-1 to V-3 of this Composite Document;
- (ix) the letter from Innovax Capital Limited on the profit estimate, the text of which is set out on pages VI-1 to VI-2 of this Composite Document;
- (x) the written consents referred to under the paragraph headed “Expert’s qualification and consent” of this Appendix IV;
- (xi) the contracts for appointment referred to in under the paragraph headed “Directors’ service contracts” in this Appendix IV; and
- (xii) the material contracts referred to under the paragraph headed “Material contracts” of this Appendix IV.

11. MISCELLANEOUS

- (i) The principal share registrar and transfer office of the Company in the Cayman Islands is Estera Trust (Cayman) Limited, which is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is situated at Offices E & F, 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong;
- (ii) The branch share registrar and transfer office of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited, which is situated at Room 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong;
- (iii) The registered office of Innovax Capital Limited is situated at Room 2002, 20/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

The following is the text of a letter received from the Company's auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Composite Document.



13 September 2019

The Board of Directors
Wang Yang Holdings Limited
Offices E & F, 7th floor
King Palace Plaza
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

Wang Yang Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)

PROFIT ESTIMATE FOR THE THREE MONTHS ENDED 30 JUNE 2019

We refer to the estimate of the consolidated loss attributable to owners of the Company for the three months ended 30 June 2019 (the “**Profit Estimate**”). The Profit Estimate has been prepared to enable the directors of the Company to issue the following statements set forth in the composite document of the Company dated 13 September 2019 (the “**Composite Document**”):

“Based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2019, the Group recorded an unaudited loss for the three months ended 30 June 2019 as compared to an unaudited profit for the three months ended 30 June 2018. The turnaround from net profit position for the three months ended 30 June 2018 to net loss position for the three months ended 30 June 2019 was principally attributable to the decrease in gross profit margin due to the increase in direct cost incurred from unexpected complexity arose from construction works of three construction projects of the Group at the Austin Avenue, the Carpenter Road and the Lau Fau Shan, Hong Kong during the three months ended 30 June 2019. Such complexity of works involves, among others, (i) discovery of additional underground utilities despite site inspection was conducted, (ii) additional requirements in excavation and lateral support planning; and (iii) additional drainage works and additional baffle inside grease trap in relation to the drawings for submission to the Hong Kong Environmental Protection Department. As a result of such works complexity, construction works have been prolonged and/or varied and resulted in the increase in direct cost.”

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2019.

The Company’s directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “*Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2019.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hong Kong

**APPENDIX VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
ON THE PROFIT ESTIMATE**

The following is the text of a report prepared for the purpose of incorporation in this Composite Document received from Innovax Capital Limited in connection with its opinion on the Profit Estimate (as defined hereinafter)



13 September 2019

Wang Yang Holdings Limited

Offices E&F, 7th Floor,
King Palace Plaza, No. 55 King Yip Street,
Kwun Tong, Kowloon,
Hong Kong

Attention: The Board of Directors

Dear Sirs,

We refer to the section headed “4. MATERIAL CHANGE” in Appendix II to the Composite Offer Document (the “**Composite Document**”) dated 13 September 2019 jointly issued by the Company and the Offeror to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

With reference to the section headed “4. MATERIAL CHANGE” in Appendix II to the Composite Document, it states that:

“Based on the unaudited consolidated management accounts of the Group for the three months ended 30 June 2019, the Group recorded an unaudited loss for the three months ended 30 June 2019 as compared to an unaudited profit for the three months ended 30 June 2018. The turnaround from net profit position for the three months ended 30 June 2018 to net loss position for the three months ended 30 June 2019 was principally attributable to the decrease in gross profit margin due to the increase in direct cost incurred from unexpected complexity arose from construction works of three construction projects of the Group at the Austin Avenue, the Carpenter Road and the Lau Fau Shan, Hong Kong during the three months ended 30 June 2019. Such complexity of works involves, among others, (i) discovery of additional underground utilities despite site inspection was conducted, (ii) additional requirements in excavation and lateral support planning; and (iii) additional drainage works and additional baffle inside grease trap in relation to the drawings for submission to the Hong Kong Environmental Protection Department. As a result of such works complexity, construction works have been prolonged and/or varied and resulted in the increase in direct cost.”

**APPENDIX VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
ON THE PROFIT ESTIMATE**

The above statement (the “**Profit Estimate**”) constituted a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser or independent financial adviser, and the auditor or consultant accountants. This report is issued in compliance with the requirement under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Profit Estimate and other relevant information and documents (in particular, the unaudited consolidated management accounts of the Company for the three months ended 30 June 2019 and the three months ended 30 June 2018 (the “**Unaudited Management Accounts**”)) which you as the Directors are solely responsible for and discussed with the Company the information and documents (in particular, the Unaudited Management Accounts) provided by the Company which formed the key bases upon which the Profit Estimate has been made. In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have relied upon the report as contained in Appendix V to the Composite Document addressed to the Board from HLB Hodgson Impey Cheng Limited, being the auditors of the Company. HLB Hodgson Impey Cheng Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2019.

Based on the above, we are of the opinion that the Profit estimate, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of

Innovax Capital Limited	
Calvin Poon	Richard Chu
<i>Head of Corporate Finance</i>	<i>Managing Director</i>