

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 a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Milestone Builder 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 transferee(s).

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 its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

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.

Smart Excel Group Limited

(incorporated in the British Virgin Islands with limited liability)



Milestone Builder Holdings Limited

進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1667)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
CIS SECURITIES ASSET MANAGEMENT LIMITED
FOR AND ON BEHALF OF SMART EXCEL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
MILESTONE BUILDER HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
SMART EXCEL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to the Company



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EXPECTED TIMETABLE

Expected Timetable

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

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

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (<i>Note 1</i>).....	Friday, 4 December 2020
Latest time and date for acceptance of the Offer (<i>Note 2 and 5</i>)	4:00 p.m. on Monday, 28 December 2020
Closing Date (<i>Note 3 and 5</i>)	Monday, 28 December 2020
Announcement of the results of the Offer (or its extension or revision, if any) as at the Closing Date, to be posted on the website of the Stock Exchange (<i>Note 3 and 5</i>).....	no later than 7:00 p.m. on Monday, 28 December 2020
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the Closing Date (<i>Note 4 and 5</i>)	Thursday, 7 January 2021

Notes:

1. The Offer, which is unconditional, is open for acceptance on and from Friday, 4 December 2020, being the date of posting 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 in the circumstances set out in the paragraph headed “5. Right of Withdrawal” in Appendix I to this Composite Document.
2. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
3. 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 Offer will initially remain open for acceptances until 4:00 p.m. on Monday, 28 December 2020 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). The Offeror and the Company will jointly issue an announcement in relation to any extension of the Offer, in which the announcement will state either the next Closing Date or, a statement the Offer will remain open until further notice. In the latter case, at least 14 days’ notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
4. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered (as the case may be) under the Offer will be despatched to the accepting Independent Shareholder(s), respectively, (to the address specified on the relevant Form

EXPECTED TIMETABLE

of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid.

5. 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 not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black rainstorm warning signal”, 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 and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. In such cases, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
6. Save as mentioned above, if the latest time for acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements.

It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction.

The Offeror and the parties acting in concert with it, the Company, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Overseas Shareholders” in the “Letter from Ample Capital and Grand Harbour” and Appendix I to this Composite Document for details.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Alpha Financial”	Alpha Financial Group Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in relation to the Offer
“Ample Capital”	Ample Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being one of the joint financial advisers to the Offeror in relation to the Offer
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Charge Over Account”	the charge over account dated 15 October 2020 in respect of the Offeror’s securities account in CIS Securities created by the Offeror in favour of CIS Finance as security for the Loan Facility
“CIS Finance”	CIS Finance Limited, a company incorporated in Hong Kong with limited liability, whose ultimate beneficial owners are Lun Shunhua, Tan Shenning, Kan King Yee Karen, Chu Wai Leung and two other shareholders who are each holding less than 5% of the total issued shares in the holding company of CIS Finance, is principally engaged in money lending and holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)

DEFINITIONS

“CIS Finance Loan Agreement”	the loan agreement dated 21 August 2019 and entered into between CIS Finance as lender and Mr. KF Leung and Mr. Lam as borrowers in relation to the granting of the loan by CIS Finance to Mr. KF Leung and Mr. Lam in the principal sum of HK\$25 million
“CIS Securities”	CIS Securities Asset Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO
“Closing Date”	Monday, 28 December 2020, being the closing date of the Offer, which is no less than 21 days following the date on which this Composite Document is posted, or if the Offer are extended, any subsequent closing date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code
“Company”	Milestone Builder Holdings Limited, a 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: 1667)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement, which took place on 15 October 2020
“Composite Document”	this composite document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the Form of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
“Consideration”	the consideration paid by the Offeror to the Vendors for the acquisition of the Sale Shares, being HK\$167,231,250
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Debenture”	the first ranking debenture dated 15 October 2020 in respect of all of the Offeror’s assets granted by the Offeror in favour of CIS Finance as security for the Loan Facility

DEFINITIONS

“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance”	the WHITE form of acceptance and transfer of Shares in respect of the Offer
“Grand Harbour”	Grand Harbour Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in relation to the Offer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC Nominees Limited”	a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric, established to advise the Independent Shareholders on the Offer
“Independent Financial Adviser” or “Merdeka Corporate Finance”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee in respect of the Offer
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 29 October 2020 issued by the Offeror and the Company in relation to, among other things, the Sale and Purchase Agreement and the Offer
“Last Trading Day”	14 October 2020, being the last trading day of the Shares before the publication of the Joint Announcement

DEFINITIONS

“Latest Practicable Date”	1 December 2020, 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
“Loan Facility”	the loan facilities of a maximum amount up to HK\$76 million made available to the Offeror by CIS Finance for financing the Offer
“Loan Facility Agreement”	the loan agreement dated 15 October 2020 and entered into between CIS Finance as lender and the Offeror as borrower in relation to the Loan Facility
“Milestone Builder Engineering”	Milestone Builder Engineering Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and is principally engaged in provision of general building works and specialist building works
“Milestone Builder Engineering Loan Agreements”	the two loan agreements both dated 30 September 2019 and entered into between each of Mr. KF Leung and Mr. Lam as lenders and Milestone Builder Engineering as borrower in relation to the granting of the loans by each of Mr. KF Leung and Mr. Lam to Milestone Builder Engineering in the principal amount of HK\$5,619,356 and HK\$4,372,241 respectively
“Milestone Builder Engineering New Loan Agreement”	the loan agreement dated 15 October 2020 and entered into between the Vendors as lenders and Milestone Builder Engineering as borrower in relation to the granting of the loan facilities by the Vendors to Milestone Builder Engineering of a maximum amount up to HK\$120 million
“Mr. Aaron Leung”	Leung Chin Hung Aaron, a senior management of the Group
“Mr. KF Leung”	Leung Kam Fai, an executive Director
“Mr. Lam”	Lam Ka Ho, an executive Director
“Ms. Hou”	Hou Lingling, being the beneficial owner of one issued share of the Offeror, representing the entire issued share capital of the Offeror

DEFINITIONS

“Offer”	the mandatory unconditional cash offer made by CIS Securities, for and on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Offeror”	Smart Excel Group Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Ms. Hou
“Offer Period”	the period commencing from 29 October 2020, being the date of the Joint Announcement, until the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Offer, with the consent of the Executive, in accordance with the Takeovers Code
“Offer Price”	HK\$0.28125 per Offer Share
“Offer Share(s)”	all Shares that are not owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Placing”	the placing of new Shares by CIS Securities and Plutus Securities Limited as joint placing agents of the Company to placees to subscribe for up to 160,000,000 Placing Shares, which was announced by the Company on 7 August 2020
“Placing Share(s)”	160,000,000 new Shares placed under the Placing, including 95,000,000 new Shares subscribed by the Offeror under the Placing
“Popsible Development”	Popsible Development Limited, a company incorporated in Hong Kong with limited liability and a company indirectly owned as to 70% by the Company and 30% by Ocean Sky Development Limited, which is accounted as a jointly controlled entity in the consolidated accounts of the Company

DEFINITIONS

“Popsible Development Loan Agreements”	the two loan agreements both dated 22 August 2019 and entered into between each of Mr. KF Leung and Mr. Lam as lenders and Popsible Development as borrower in relation to the granting of the loans by each of Mr. KF Leung and Mr. Lam to Popsible Development in the principal amount of HK\$10 million and HK\$10 million respectively
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, with its address at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 29 April 2020, being the date falling six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 October 2020 and entered into among the Vendors as the seller and the Offeror as the purchaser in relation to the sale and purchase of the Sale Shares
“Sale Share(s)”	594,600,000 Shares sold by the Vendors to the Offeror pursuant to the terms of the Sale and Purchase Agreement (as to 285,660,000 Shares by Mr. KF Leung, 285,660,000 Shares by Mr. Lam and 23,280,000 Shares by Mr. Aaron Leung)
“Sale Shares Share Charge”	the share charge dated 15 October 2020 and executed by the Offeror in favour of CIS Finance in respect of the Sale Shares as security for the Loan Facility
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Charge”	the share charge dated 15 October 2020 and executed by the Offeror in favour of CIS Finance in respect of the Shares to be acquired by the Offeror or parties acting in concert with it pursuant to the Offer (excluding the Sale Shares) as security for the Loan Facility

DEFINITIONS

“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Speedy Engineering”	Speedy Engineering & Trading Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Speedy Engineering Loan Agreement”	the loan agreement dated 9 May 2019 and entered into between Mr. Aaron Leung as lender and Speedy Engineering as borrower in relation to the granting of the loan by Mr. Aaron Leung to Speedy Engineering in the principal amount of HK\$4,410,000
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	Mr. KF Leung, Mr. Lam and Mr. Aaron Leung
“%”	per cent.

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

AmCap
Ample Capital Limited
豐盛融資有限公司

Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong



Grand Harbour Corporate Finance Limited

5th Floor
E168
No. 166–168 Des Voeux Road Central
Hong Kong

4 December 2020

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
CIS SECURITIES ASSET MANAGEMENT LIMITED
FOR AND ON BEHALF OF SMART EXCEL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
MILESTONE BUILDER HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY SMART EXCEL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in this Composite Document.

On 29 October 2020, the Offeror and the Company jointly announce that, *inter alia*, upon the Completion, the Offeror is interested in a total of 689,600,000 Shares, representing approximately 71.83% of the total issued share capital of the Company, triggering an obligation to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details on the terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from Merdeka Corporate Finance" as well as the appendices as contained in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

2. THE OFFER

CIS Securities is making the Offer, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.28125 in cash

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code.

Comparison of value

The Offer Price of HK\$0.28125 per Offer Share represents:

- (i) a premium of approximately 2.27% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 3.02% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.76% over the average closing price of approximately HK\$0.261 per Share based on the daily closing prices as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 11.61% over the average closing price of approximately HK\$0.252 per Share based on the daily closing prices as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 39.23% over the average closing price of approximately HK\$0.202 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 116.35% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.130 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 March 2020 as set out in the annual report of the Company for the year ended 31 March 2020; and
- (vii) a premium of approximately 158.03% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.109 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 September 2020 as set out in the interim results announcement of the Company for the six months ended 30 September 2020.

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

Highest and lowest Share price

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.29 per Share on 14 October 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.095 per Share on 24 and 27 July 2020.

Payment

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

No fractions of a cent (HK\$) will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent (HK\$).

Value of the Offer

As at the Latest Practicable Date, the Company has 960,000,000 Shares in issue. On the basis of the Offer Price of HK\$0.28125 per Offer Share, the entire issued share capital of the Company is valued at HK\$270,000,000. 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 the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

On the basis that there are 270,400,000 Offer Shares and assuming there is no change in the number of issued Shares before the close of the Offer, the value of the Offer is HK\$76,050,000.

Confirmation of financial resources available for the Offer

Based on the Offer Price of HK\$0.28125 per Offer Share and 270,400,000 Offer Shares, the total maximum consideration of the Offer will be HK\$76,050,000 (assuming the Offer is accepted in full and there is no change in the share capital of the Company from the Latest Practicable Date up to the Closing Date).

The total consideration payable under the Offer shall be payable in cash. The Offeror intends to finance the entire consideration payable under the Offer through the Loan Facility provided by CIS Finance and internal resources of the Offeror. The Offeror does not expect

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

that the payment of interest on, repayment of or security for any liability (contingent or otherwise) by the Offeror to CIS Finance under the Loan Facility Agreement will depend to any significant extent on the business of the Group.

Ample Capital and Grand Harbour, being the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration payable by the Offeror upon full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The Company has not declared any dividend and the Company does not intend to declare, make or pay any dividend prior to close of the Offer.

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made.

The Offer will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and not capable of being withdrawn, except as otherwise permitted under the Takeovers Code, details of which are set out in paragraph headed “5. Right of Withdrawal” in Appendix I to this Composite Document.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with the acceptance of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

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. Overseas Shareholders should obtain information about and observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers and/or seek 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 jurisdiction 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 by such Overseas Shareholders in respect of such jurisdiction).

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.

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 the Offeror, the Company, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance and their respective ultimate beneficial owners, directors, officers, advisers, 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.

3. INFORMATION ON THE GROUP

Information on the Group is set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Document.

4. INFORMATION ON THE OFFEROR

Information on the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability as an investment holding company. As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Ms. Hou. Ms. Hou is the sole director of the Offeror.

Information on Ms. Hou

Ms. Hou, aged 41, is one of the shareholders and the general manager of Shenzhen Ruijia Jewellery Company Limited* (深圳市瑞嘉珠寶有限公司) (“**Shenzhen Ruijia**”), a distributor with up to 35 stores of a well-known jewellery brand in Hong Kong and has been

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

recognised with the best sales performance awards by the said jewellery brand. Ms. Hou has been appointed as the general manager of Shenzhen Ruijia since August 1999. Her role as the general manager involves day-to-day operation of the company's business, formulating the annual, quarterly and monthly budgets, managing the operation of the retail stores, exploration of new retail market, liaising with the company's brand strategic partnership and relationship with the landlords of the company's various stores.

Ms. Hou is also the supervisor of Shenzhen Zhong Ying Tai Pictures Company Limited* (深圳中影泰得影業股份有限公司) and Shenzhen Zhong Ying Tai Cinema Development Company Limited* (深圳中影泰得院綫發展有限公司), which principally engage in cinema investment consultancy, management and planning in the PRC and cinema business operations in more than 15 cities in the PRC, respectively.

It is expected that Ms. Hou's experience in corporate management of over 20 years will bring in a positive impact and benefit to the business operation of the Group. Moreover, following Completion, the Vendors would remain as directors of the subsidiaries of the Group such that the day to day business operations of the Group would not be disrupted by the change in control of the Company.

5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Business

Upon Completion, the Offeror has become the controlling shareholder. The Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group. The Offeror also intends to continue the existing principal business of the Group immediately following Completion. The Offeror intends to continue to focus on the existing principal business of the Group in the future and explore potential avenues and strategies to achieve growth in the business operations of the Group while working with the Vendors, who would remain as directors of the subsidiaries of the Group following Completion and the close of the Offer. The Offeror will, following the close of the Offer, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. The Offeror has no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any disposal, termination or scaling-down of the Company's businesses and injection of any new business to the Group in the next 12 months, however, subject to the results of the review, the Offeror may explore other business opportunities and consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Company.

Proposed change of the Board composition

The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code. The existing Directors, namely Mr. KF Leung, Mr. Lam, Mr. Keung

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric, will resign from the Board with effect from the earliest date as permitted for resignation of existing Directors under (or pursuant to any dispensation from) the Takeovers Code, the Listing Rules or other applicable laws or rules or regulations applicable to the Company or by the SFC.

Following Completion and the close of the Offer, the Vendors would remain as directors of the subsidiaries of the Group.

Each of Mr. KF Leung and Mr. Lam has entered into a service agreement dated 14 March 2020 with the Company for an initial term of three (3) years from 14 March 2020 and ending on 13 March 2023 and renewable automatically for successive term of three years upon expiry of the term, unless terminated by not less than one month's notice in writing. Each of Mr. KF Leung and Mr. Lam is entitled to receive an annual remuneration of HK\$2,500,000, including housing allowance, during the term of each of their respective service agreements and such additional benefits as the Board shall in its absolute discretion deem appropriate. Upon their proposed resignation as executive Directors as mentioned above, Mr. KF Leung and Mr. Lam will remain as directors of Milestone Builder Engineering under a service agreement to be entered into between Milestone Builder Engineering and each of Mr. KF Leung and Mr. Lam on the same terms and conditions as their respective service agreements with the Company. The Offeror does not intend to provide any other benefits in addition to the aforesaid annual remuneration to Mr. KF Leung and Mr. Lam.

Mr. Aaron Leung would remain as a director of Speedy Engineering following Completion and the close of the Offer under the service agreement dated 1 April 2020 and entered into between Speedy Engineering and Mr. Aaron Leung with an initial term of three (3) years from 1 April 2020 and ending on 31 March 2023 and renewable automatically for successive term of three years upon expiry of the term, unless terminated by not less than one month's notice in writing. Mr. Aaron Leung is entitled to receive an annual remuneration of HK\$780,000, including housing allowance, during the term of his service agreement and such additional benefits as the board of directors of Speedy Engineering shall in its absolute discretion deem appropriate. As Mr. Aaron Leung's service agreement with Speedy Engineering shall continue to remain effective upon Completion and following the close of the Offer, Mr. Aaron Leung will not enter into any new service agreement with the Company or Speedy Engineering. The Offeror does not intend to provide any other benefits in addition to the aforesaid annual remuneration to Mr. Aaron Leung.

Following Completion and the close of the Offer, the Vendors would remain as directors of the subsidiaries of the Group because they are acquainted with the business and the day to day operation of the operating subsidiaries of the Group, such that the change in control of the Company would not cause a material disruption to the daily business operations of the Group.

As at the Latest Practicable Date, the Offeror has not yet determined as to who will be nominated and the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

6. COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date.

7. MAINTAINING THE LISTING STATUS OF THE COMPANY AND SUFFICIENT PUBLIC FLOAT 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 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 dealings in the Shares until the prescribed level of public float is restored.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

8. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to paragraph headed “Procedures for Acceptance” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

9. GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules.

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

To accept the Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance forms part of the terms of the Offer. The duly completed 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) must be sent by post or by hand to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong in an envelope marked “Milestone Builder Holdings Limited — Offer” to be

LETTER FROM AMPLE CAPITAL AND GRAND HARBOUR

received by the share registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and parties acting in concert with it, the Company, Ample Capital, Grand Harbour, CIS Securities, Alpha Financial, Merdeka Corporate Finance and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the advice of the Independent Board Committee, the recommendations from the Independent Financial Adviser and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,

For and on behalf of
Ample Capital Limited
H.W. Tang
President

Jenny Law
Vice President

For and on behalf of
Grand Harbour Corporate Finance Limited
Chiu Ka Him
Director

Zhou Danqing
Manager

LETTER FROM THE BOARD



Milestone Builder Holdings Limited

進階發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1667)

Executive Directors:

Mr. Leung Kam Fai (*Chairman*)

Mr. Lam Ka Ho

Independent non-executive Directors:

Mr. Keung Kwok Hung

Ms. Lau Suk Han Loretta

Mr. Fong Man Fu Eric

Mr. Wong Chun Tai

Registered office in the

Cayman Islands

2nd Floor, Century Yard

Cricket Square, P.O. Box 902

Grand Cayman

KY1-1103

Cayman Islands

Head office and principal place

of business in Hong Kong

14/F, 9 Po Lun Street

Lai Chi Kok

Kowloon

Hong Kong

4 December 2020

To the Independent Shareholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
CIS SECURITIES ASSET MANAGEMENT LIMITED
FOR AND ON BEHALF OF SMART EXCEL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
MILESTONE BUILDER HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
SMART EXCEL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement whereby the Offeror and the Company jointly announced on 29 October 2020 that the Offer would be made by CIS Securities for and on behalf of the Offeror to acquire all of the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) of the Company.

LETTER FROM THE BOARD

The Company was informed by the Vendors that on 15 October 2020, the Offeror as the purchaser and the Vendors as the vendors entered into the Sale and Purchase Agreement, pursuant to which the Offeror has agreed to purchase, and the Vendors have agreed to sell, an aggregate of 594,600,000 Shares (i.e. the Sale Shares) (as to 285,660,000 Shares by Mr. KF Leung, 285,660,000 Shares by Mr. Lam and 23,280,000 Shares by Mr. Aaron Leung), representing approximately 61.94% of the total issued share capital of the Company as at the Latest Practicable Date for a total cash consideration of HK\$167,231,250, equivalent to HK\$0.28125 per Sale Share. Completion of the Sale and Purchase Agreement took place immediately upon the signing of the Sale and Purchase Agreement on 15 October 2020 and the Consideration was fully settled by way of cash on the same day. The Consideration was financed by the Offeror with Ms. Hou's internal resources.

After Completion, the Offeror and the parties acting in concert with it owned a total of 689,600,000 Shares, representing approximately 71.83% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, CIS Securities is making, for and on behalf of the Offeror, the Offer to the Independent Shareholders for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The terms of the Offer are set out in this Composite Document and the Form of Acceptance.

As at the Latest Practicable Date, there were 960,000,000 Shares in issue and the Company has no other outstanding shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Company.

Set out below is the sequence of events in relation to the sale of the Sale Shares:

In August 2020, Ms. Hou was presented with the opportunity to participate in the Placing through a broker of the joint placing agents of the Company under the Placing. Ms. Hou was interested in investing in the Company and hence participated in the Placing through the Offeror as one of the placees. Following completion of the Placing, the Vendors became acquainted with Ms. Hou.

On 14 September 2020, Ms. Hou, who was then holding 9.9% of the entire issued share capital of the Company through her interest in the Offeror, approached Mr. KF Leung to discuss the business and financial matters of the Group. During the said discussion, Ms. Hou had a better understanding of the business operations and financial conditions of the Group, and she first came up with the idea of and indicated her interest to acquire further Shares.

On 23 September 2020, the Vendors were informed by Ample Capital of the Offeror's interest in acquiring all the Shares held by each of the Vendors. On the same date, the Vendors notified the Board that they were currently in preliminary discussions with the Offeror in relation to the possible sale of certain number of Shares held by the Vendors to the Offeror.

From 24 September 2020 to 14 October 2020, the Vendors and the Offeror were in negotiation over the terms of the Sale and Purchase Agreement. The Vendors considered the terms of the Sale and Purchase Agreement, were agreed after arm's length negotiation with reference to, amongst other things, the prevailing market price of the Company. The Vendors also considered that the

LETTER FROM THE BOARD

entering into of the Sale and Purchase Agreement would be in the interest of the Company and the Shareholders given that it would enable the Vendors, as founders of the Group who had invested a lot of time and effort in the development of the Group's business, to use part of the proceeds from the sale of the Sale Shares for providing an interest-free and collateral free loan facility of up to HK\$120 million to Milestone Builder Engineering under the Milestone Builder Engineering New Loan Agreement. In view of the above, the Vendors agreed to sell the Sell Shares to the Offeror.

On 15 October 2020, CIS Finance as lender and the Offeror as borrower entered into the Loan Facility Agreement pursuant to which CIS Finance agreed to make available to the Offeror the loan facilities of a maximum amount up to HK\$76,000,000 for financing the Offer. On the same date, the Vendors as vendors and the Offeror as purchaser entered into the Sale and Purchase Agreement pursuant to which the Offeror agreed to purchase, and the Vendors agreed to sell, an aggregate of 594,600,000 Shares for a total cash consideration of HK\$167,231,250.

The Milestone Builder Engineering New Loan Agreement

Pursuant to the terms of the Sale and Purchase Agreement, upon Completion, the Vendors as lenders and Milestone Builder Engineering as borrower have entered into the Milestone Builder Engineering New Loan Agreement. As set out in the Milestone Builder Engineering New Loan Agreement, the Vendors shall provide an interest-free and collateral-free loan facility of up to HK\$120 million (as to HK\$57,650,858 by Mr. KF Leung, as to HK\$57,650,858 by Mr. Lam and as to HK\$4,698,284 by Mr. Aaron Leung) to Milestone Builder Engineering for an initial term of two years from the date of the Milestone Builder Engineering New Loan Agreement. Milestone Builder Engineering shall have a right to extend the above repayment date for one year by serving not less than one month's notice in writing to the Vendors. The Vendors did not require anything in return for agreeing to grant the loan facility in the amount of up to HK\$120 million to Milestone Builder Engineering. Although the Vendors are no longer shareholders of the Company, they have agreed to grant such loan facility for no interest and without any security because as founders of the Group who have invested a lot of time and effort in the development of the businesses of the Group, the continued success of the Group is important for the Vendors.

During the discussion between the Vendors and the Purchaser in relation the Sale and Purchase Agreement, it was noted that the Group had taken out various loans with different banks secured by a corporate guarantee of the Company. Given that there would be change of control in the Company following Completion, it was expected that the banks would demand early repayment of the relevant bank loans from the Group. As such, the Vendors agreed to grant the interest-free and collateral free loan facility of up to HK\$120 million to Milestone Builder Engineering as it would be in the interest of the Company and the Shareholders. Following Completion, two principal banks of the Group have demanded early repayment of outstanding bank loan facilities of the Group. DBS Bank (Hong Kong) Limited has demanded early repayment of bank loan facilities of the Group in the principal amount of approximately HK\$15.8 million together with interest on or before 31 December 2020. The interest rates of the relevant bank loans ranged from approximately 2.9% to 5.5% per annum and the monthly interest expenses incurred by the Group amounted to approximately HK\$54,300, which was payable on a monthly basis. The Hong Kong and Shanghai

LETTER FROM THE BOARD

Banking Corporation Limited has demanded early repayment of bank loan facilities of the Group in the principal amount of approximately HK\$9.4 million together with interest on the mutually agreed date of on or before 15 January 2021. The interest rates of the relevant bank loans ranged from approximately 5% to 5.5% per annum and the monthly interest expenses incurred by the Group amounted to approximately HK\$40,000, which was payable on a monthly basis. The Group intends to use its internal financial resources to settle the said outstanding bank loan facilities. As at 30 September 2020, the Group had cash and bank balance of approximately HK\$35.7 million as well as trade receivables. Therefore, the Company has sufficient internal financial resources for early repayment of the said outstanding bank loan facilities in the aggregate principal amount of approximately HK\$25.2 million on the proposed repayment dates.

Following Completion and the close of the Offer, the Vendors would remain as directors of the subsidiaries of the Group to ensure that the day to day business of the Group will not be affected by the change in control of the Company. The said loans shall be repayable in one lump sum on the repayment date. Milestone Builder Engineering may early repay part or all of the said loan from the date falling six months after the completion of the Offer in whole multiple of HK\$1,000,000. The first tranche of the loan in the principal amount of HK\$80 million has been drawn by Milestone Builder Engineering upon Completion. The second tranche of the loan in the principal amount of HK\$40 million shall be drawable in multiple advances within a period of three months from the date of the Milestone Builder Engineering New Loan Agreement. The first tranche of such loan shall be utilised by Milestone Builder Engineering for the purpose of repayment of existing bank loan facilities of the Group and the second tranche of such loan shall be utilised by Milestone Builder Engineering for the purpose of the general working capital of the Group. The creditors of the existing loan facilities are not Shareholders.

Save as disclosed above, there are no other arrangements (written or otherwise, express or implied) among the Offeror, the Vendors and/or the Group in respect of the repayment of the loan under the Milestone Builder Engineering New Loan Agreement. The Group intends to repay the loan facility of up to HK\$120 million under the Milestone Builder Engineering New Loan Agreement by using its internal resources, including but not limited to proceeds from trade receivable, retention receivable, contracts and ongoing projects on hand expected to be received by the Group in the next two years.

The first tranche of the loan in the principal amount of HK\$80 million has been fully utilised by the Group as to (i) approximately HK\$26.4 million for repayment of the outstanding bank loan facilities to Bank of China (Hong Kong) Limited; (ii) approximately HK\$6.7 million for repayment of the outstanding bank loan facilities to DBS Bank (Hong Kong) Limited; (iii) approximately HK\$25.2 million for repayment of the outstanding bank loan facilities to Hang Seng Bank Limited; (iv) approximately HK\$10.9 million for repayment of the outstanding bank loan facilities to The Hong Kong and Shanghai Banking Corporation Limited; (v) approximately HK\$1.9 million for repayment of the outstanding bank loan facilities to Shanghai Commercial Bank Limited; (vi) approximately HK\$1.3 million for repayment of the outstanding bank loan facilities to Nanyang Commercial Bank Limited; and (vii) approximately HK\$7.6 million for repayment of the outstanding bank loan facilities to The Bank of Communications (Hong Kong) Limited.

LETTER FROM THE BOARD

The second tranche of the loan in the principal amount of HK\$40 million has not been utilised by the Group. The Company currently does not have an expected timeline for the use of such proceeds given that the second tranche of the loan will serve as a standby facility for the Group. The said arrangement enables the Group to have greater financial flexibility for its day to day operations. The Directors will review the financial conditions of the Group from time to time in order to decide whether to utilise the second tranche of the loan.

In view of the above, the Board considers that the proceeds from the loan facility of up to HK\$120 million under the Milestone Builder Engineering New Loan Agreement and the internal financial resources presently available to the Group, including cash inflow from operating activities and available banking facilities, will satisfy the Group's expected funding needs for the next 12 months.

The Board has taken into account, among other things, the following key assumptions and factors in preparing such estimate: (i) there is no material change in inflation rates, interest rates or foreign currency exchange rates in the countries, regions or industries applicable to the business activities of the Group from those presently prevailing; (ii) there is no material change in the bases and rates of taxation, surcharges or other government levies, both direct and indirect, in the countries or territories in which the Group operates; and (iii) the principal repayments are made according to the terms in loan documents.

The CIS Finance Loan Agreement

On 21 August 2019, CIS Finance as lender has entered into the CIS Finance Loan Agreement with Mr. KF Leung and Mr. Lam as borrowers, pursuant to which CIS Finance granted an unsecured interest-bearing loan in the principal amount of HK\$25,000,000 at the interest rate of 16% per annum for an initial term of six (6) calendar months from the date of drawdown, extendable for six (6) months at the discretion of Mr. KF Leung and Mr. Lam. Mr. KF Leung and Mr. Lam made a drawdown on such loan on 21 August 2019. Such loan was repayable in one lump sum on the repayment date i.e. 21 February 2020. Mr. KF Leung and Mr. Lam extended such loan for six (6) months to 21 August 2020 pursuant to the terms of the CIS Finance Loan Agreement. On 13 August 2020, Mr. KF Leung and Mr. Lam entered into an extension letter with CIS Finance to further extend the repayment date of the loan to 21 November 2020, as Mr. KF Leung and Mr. Lam needed additional time to secure financing for repayment of the said loan. On 21 November 2020, Mr. KF Leung and Mr. Lam have already fully repaid such loan (in the principal amount of HK\$25,000,000 together with interest) by using part of the proceeds from the sale of the Sale Shares. The proceeds of such loan were used to finance the loans under the Popsible Development Loan Agreements.

LETTER FROM THE BOARD

Save for the Sale and Purchase Agreement, the Loan Facility Agreement, the Milestone Builder Engineering New Loan Agreement, the CIS Finance Loan Agreement and the Offer, there are no arrangements (written or otherwise, express or implied) between CIS Finance, the Offeror and/or the Vendors.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) the letter from Ample Capital and Grand Harbour containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer; and (v) further information relating to the Group and the Offeror, together with the Form of Acceptance.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 and Rule 2.8 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to the acceptance.

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Merdeka Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee 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. Such appointment has been approved by the Independent Board Committee.

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 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

The following information about the Offer is extracted from the “Letter from Ample Capital and Grand Harbour” contained in this Composite Document.

LETTER FROM THE BOARD

CIS Securities is making the Offer, for and on behalf of the Offeror, in compliance with the Takeovers Code on terms set out below:

For each Offer Share HK\$0.28125 in cash

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code.

Comparison of value

The Offer Price of HK\$0.28125 per Offer Share represents:

- (i) a premium of approximately 2.27% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 3.02% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.76% over the average closing price of approximately HK\$0.261 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 11.61% over the average closing price of approximately HK\$0.252 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 39.23% over the average closing price of approximately HK\$0.202 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 116.35% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.130 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 March 2020 as set out in the annual report of the Company for the year ended 31 March 2020; and
- (vii) a premium of approximately 158.03% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.109 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 September 2020 as set out in the interim results announcement of the Company for the six months ended 30 September 2020.

LETTER FROM THE BOARD

Highest and lowest trading prices

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.29 per Share on 14 October 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.095 per Share on 24 and 27 July 2020.

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Ample Capital and Grand Harbour” and “Appendix I — Further Terms and Procedures of Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on main board of the Stock Exchange (stock code: 1667). The Group has two reportable segments, namely:

- (1) construction and engineering services: principally engaged in the provision of (a) building construction services; (b) alteration, addition, fitting-out works and building services; and (c) repair and restoration of historic buildings in Hong Kong; and
- (2) property development and investment: principally engaged in the property development and investment business in Hong Kong and other countries in the Asia-Pacific region.

The Milestone Builder Engineering Loan Agreements

On 30 September 2019, Mr. KF Leung as lender entered into a loan agreement with Milestone Builder Engineering as borrower, pursuant to which Mr. KF Leung agreed to grant an interest-free and collateral-free loan in the principal amount of HK\$5,619,356 for an initial term of two years from the drawdown date (or such later date as mutually agreed in writing by the parties thereto) for the purpose of financing the general working capital of the Group. Such loan shall be repaid by Milestone Builder Engineering as to HK\$5,119,536 and HK\$500,000 on 29 September 2021 and 31 October 2021 respectively, or such later date as agreed between the parties. Milestone Builder Engineering may early repay part or all of the said loan prior to the repayment date.

On 30 September 2019, Mr. Lam as lender entered into a loan agreement with Milestone Builder Engineering as borrower, pursuant to which Mr. Lam agreed to grant an interest-free and collateral-free loan in the principal amount of HK\$4,372,241 for an initial term of two years from the drawdown date (or such later date as mutually agreed in writing by the parties thereto) for the

LETTER FROM THE BOARD

purpose of financing the general working capital of the Group. Such loan shall be repaid by Milestone Builder Engineering as to HK\$3,872,241 and HK\$500,000 on 29 September 2021 and 31 October 2021 respectively, or such later date as agreed between the parties. Milestone Builder Engineering may early repay part or all of the said loan prior to the repayment date.

The loans in the total principal amount of HK\$9,991,597 under the Milestone Builder Engineering Loan Agreements were fully utilised by Milestone Builder Engineering for financing the general working capital of the Group.

Milestone Builder Engineering has agreed not to early repay part or all of the loans under the Milestone Builder Engineering Loan Agreements during the Offer Period and within six (6) months after the close of the Offer. There is no agreement, arrangement or understanding between Mr. KF Leung, Mr. Lam and Milestone Builder Engineering on early repayment of the loans after 6-month period after the close of the Offer.

The Speedy Engineering Loan Agreement

On 9 May 2019, Mr. Aaron Leung as lender entered into a loan agreement with Speedy Engineering as borrower, pursuant to which Mr. Aaron Leung agreed to grant an interest-free and collateral-free loan in the principal amount of HK\$4,410,000 for an initial term of two years from the drawdown date (or such later date as mutually agreed in writing by the parties thereto) for the purpose of financing the general working capital of the Group. Such loan shall be repaid by Speedy Engineering as to HK\$1,500,000 on 8 May 2021, as to HK\$2,100,000 on 15 May 2021, as to HK\$200,000 on 17 May 2021, as to HK\$200,000 on 13 June 2021, as to HK\$300,000 on 14 August 2021 and as to HK\$110,000 on 22 September 2021.

The loan in the principal amount of HK\$4,410,000 under the Speedy Engineering Loan Agreement was fully utilised by Speedy Engineering for financing the general working capital of the Group.

Speedy Engineering has agreed not to early repay part or all of the loan under the Speedy Engineering Loan Agreement prior to the repayment date during the Offer Period and within six (6) months after the close of the Offer. There is no agreement, arrangement or understanding between Mr. Aaron Leung and Speedy Engineering on early repayment of the loan after 6-month period after the close of the Offer.

The Popsible Development Loan Agreements

On 22 August 2019, Mr. KF Leung as lender entered into a loan agreement with Popsible Development as borrower, pursuant to which Mr. KF Leung agreed to grant an interest-free and collateral-free loan in the principal amount of HK\$10 million for an initial term of two years from the drawdown date (or such later date as mutually agreed in writing by the parties thereto) for the purpose of financing the general working capital of the Group. Such loan has been drawn by Popsible Development on 22 August 2019 and is repayable on 21 August 2021. Popsible Development may early repay part or all of the said loan prior to the repayment date.

LETTER FROM THE BOARD

On 22 August 2019, Mr. Lam as lender entered into a loan agreement with Popsible Development as borrower pursuant to which Mr. Lam agreed to grant an interest-free and collateral-free loan in the principal amount of HK\$10 million for an initial term of two years from the drawdown date (or such later date as mutually agreed in writing by the parties thereto) for the purpose of financing the general working capital of the Group. Such loan has been drawn by Popsible Development on 22 August 2019 and is repayable on 21 August 2021. Popsible Development may early repay part or all of the said loan prior to the repayment date.

The loans in the total principal amount of HK\$20 million under the Popsible Development Loan Agreements were fully utilised by Popsible Development for financing the general working capital of the Group.

Popsible Development has agreed not to early repay part or all of the loans under the Popsible Development Loan Agreements during the Offer Period and within six (6) months after the close of the Offer. There is no agreement, arrangement or understanding between Mr. KF Leung, Mr. Lam and Popsible Development on early repayment of the loans after 6-month period after the close of the Offer.

Each of the Milestone Builder Engineering Loan Agreements, the Speedy Engineering Loan Agreement, and the Popsible Development Loan Agreements are separate from and not related to the Milestone Builder Engineering New Loan Agreement.

Financial and general information in relation to the Group are set out in Appendices II and III to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company as at the Latest Practicable Date:

	Number of Shares	Approximate % of the issued Shares
The Offeror and parties acting in concert with it (<i>Note</i>)	689,600,000	71.83
Public Shareholders	<u>270,400,000</u>	<u>28.17</u>
	<u>960,000,000</u>	<u>100.00</u>

Note: The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Ms. Hou.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intention of the Offeror in relation to the Group” in the “Letter from Ample Capital and Grand Harbour” in this Composite Document. The Board is aware that the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group. The Offeror also intends to continue the existing

LETTER FROM THE BOARD

principal business of the Group immediately following Completion. The Offeror intends to continue to focus on the existing principal business of the Group in the future and explore potential avenues and strategies to achieve growth in the business operations of the Group while working with the Vendors, who would remain as directors of the subsidiaries of the Group following Completion and the close of the Offer. The Offeror will, following the close of the Offer, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. The Offeror has no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any disposal, termination or scaling-down of the Company's businesses and injection of any new business to the Group in the next 12 months. However, subject to the results of the review, the Offeror may explore other business opportunities and consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Company.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Your attention is drawn to the paragraph headed "Proposed change of the Board composition" in the "Letter from Ample Capital and Grand Harbour" in this Composite Document.

The Board is currently made up of six Directors, comprising two executive Directors, being Mr. KF Leung and Mr. Lam; and four independent non-executive Directors, being Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric.

Following Completion and the close of the Offer, the Vendors would remain as directors of the subsidiaries of the Group.

Under the service agreements entered into between the Company and each of Mr. KF Leung and Mr. Lam, on 14 March 2020, each of Mr. KF Leung and Mr. Lam was appointed as an executive Director with an initial term of three (3) years commencing from 14 March 2020 and ending on 13 March 2023 and renewable automatically for successive terms of three years upon expiry of the term, unless terminated by not less than one month's notice in writing. Each of Mr. KF Leung and Mr. Lam is entitled to receive annual remuneration of HK\$2,500,000, including housing allowance, during the term of their respective service agreements. Each of Mr. KF Leung and Mr. Lam may also be entitled to such additional benefits as the Board shall in its absolute discretion deem appropriate. Each of their appointment as an executive Director will be subject to retirement by rotation and is eligible for re-election pursuant to the articles of association of the Company. Upon their proposed resignation as executive Directors as mentioned above, Mr. KF Leung and Mr. Lam will remain as directors of Milestone Builder Engineering under a service agreement to be entered between Milestone Builder Engineering and each of Mr. KF Leung and Mr. Lam on the same terms and conditions as their respective service agreements with the Company.

Under the service agreement dated 1 April 2020 and entered into between Speedy Engineering and Mr. Aaron Leung, Mr. Aaron Leung was appointed as a director of Speedy Engineering with an initial term of three (3) years commencing from 1 April 2020 and ending on 31 March 2023 and renewable automatically for successive terms of three years upon expiry of the term, unless

LETTER FROM THE BOARD

terminated by not less than one month's notice in writing. Mr. Aaron Leung is entitled to receive annual remuneration of HK\$780,000, including housing allowance, during the term of his service agreement. Mr. Aaron Leung may also be entitled to such additional benefits as the board of directors of Speedy Engineering shall in its absolute discretion deem appropriate.

Following Completion and the close of the Offer, the Vendors would remain as directors of the subsidiaries of the Group because they are acquainted with the business and the day to day operation of the operating subsidiaries of the Group, such that the change in control of the Company would not cause a material disruption to the daily business operations of the Group.

It is understood that all existing Directors will resign with effect from the earliest date as permitted for resignation of existing Directors under (or pursuant to any dispensation from) the Takeovers Code, the Listing Rules or other applicable laws or rules or regulations applicable to the Company or by the SFC.

The Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, the Offeror has not yet determined as to who will be nominated and the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

MAINTAINING THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT 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 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 dealings in the Shares until the prescribed level of public float is restored.

As stated in the "Letter from Ample Capital and Grand Harbour" in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date. The Offeror and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

LETTER FROM THE BOARD

RECOMMENDATIONS

None of the members of the Independent Board Committee is interested in or involved in the Offer.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 30 to 31 of this Composite Document, which contains its recommendations to the Independent Shareholders in respect of the Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 32 to 58 of this Composite Document, which contains its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully “Further terms and procedures of acceptance of the Offer” set out in Appendix I to 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 positions, if any, and, in case of any doubt, consult your professional advisers.

For and on behalf of the Board of
Milestone Builder Holdings Limited
Leung Kam Fai
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Milestone Builder Holdings Limited
進階發展集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1667)

4 December 2020

To the Independent Shareholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
CIS SECURITIES ASSET MANAGEMENT LIMITED
FOR AND ON BEHALF OF SMART EXCEL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
MILESTONE BUILDER HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
SMART EXCEL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document (the “**Composite Document**”) dated 4 December 2020 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether or not, 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.

Merdeka Corporate Finance has been appointed as the independent financial adviser with our approval to advise us in this respect of the terms of the Offer and as to the acceptance thereof. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 32 to 58 of the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the sections headed “Letter from Ample Capital and Grand Harbour”, the “Letter from the Board” and the additional information set out in the Composite Document, including the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and the acceptance and settlement procedures for the Offer.

RECOMMENDATION

Having taken into account the terms of the Offer, the advice and recommendation from Merdeka Corporate Finance together with the principal factors and reasons taken into account in arriving at its recommendation, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Notwithstanding our recommendations, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document and the Form of Acceptance.

Yours faithfully,

Independent Board Committee

Milestone Builder Holdings Limited

Keung Kwok Hung

Independent non-executive Director

Lau Suk Han Loretta

Independent non-executive Director

Fong Man Fu Eric

Independent non-executive Director

Wong Chun Tai

Independent non-executive Director

LETTER FROM MERDEKA CORPORATE FINANCE

The following is the full text of a letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.



Room 1108–1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

4 December 2020

*To: The Independent Board Committee and the Independent Shareholders of
Milestone Builder Holdings Limited*

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY
CIS SECURITIES ASSET MANAGEMENT LIMITED
FOR AND ON BEHALF OF SMART EXCEL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
MILESTONE BUILDER HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
SMART EXCEL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the Composite Document dated 4 December 2020 issued by the Company, 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 requires otherwise.

As noted from the Board Letter, on 15 October 2020 the Vendors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and the Offeror agreed to purchase an aggregate of 594,600,000 Shares (i.e. the Sale Shares), representing approximately 61.94% of the issued share capital of the Company for a total cash consideration of HK\$167,231,250 (equivalent to HK\$0.28125 per Sale Share). The Completion of the Sale and Purchase Agreement took place on 15 October 2020.

LETTER FROM MERDEKA CORPORATE FINANCE

Immediately prior to the Completion, the Offeror and parties acting in concert with it were interested in 95,000,000 Shares, representing approximately 9.90% of the issued share capital of the Company. Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 689,600,000 Shares, representing approximately 71.83% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror incurred an obligation to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, Merdeka Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this respect and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Merdeka Corporate Finance Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee as to (i) whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

We are independent from and not connected with the Company, the Offeror, any of their respective substantial shareholders, 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 Merdeka Corporate Finance Limited and the Group or the Offeror. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

LETTER FROM MERDEKA CORPORATE FINANCE

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual reports of the Group for the years ended 31 March 2019 (the “**2019 AR**”) and 31 March 2020 (the “**2020 AR**”), the interim results of the Group for the six months ended 30 September 2020 (the “**2020 IR**”) the Composite Document, relevant announcements published by the Company, the industry trends of the Group’s principal business, the share price performance, the trading liquidity of the Company and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Directors and the Management in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors jointly and severally accept full responsibility for the accuracy of information contained in the 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 the Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

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

LETTER FROM MERDEKA CORPORATE FINANCE

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

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offer, we have considered the principal factors and reasons as set out below:

1. Background of the Offer

The Company was informed by the Vendors that on 15 October 2020 that the Vendors and the Offeror had entered into the Sale and Purchase Agreement pursuant to which the Vendors agreed to sell and the Offeror agreed to purchase an aggregate of 594,600,000 Shares (i.e. the Sale Shares), representing approximately 61.94% of the existing issued share capital of the Company, for a total cash consideration of HK\$167,231,250 (equivalent to approximately HK\$0.28125 per Sale Share). The Completion of the Sale and Purchase Agreement took place on 15 October 2020.

Immediately prior to the Completion, the Offeror and parties acting in concert with it were interested in 95,000,000 Shares, representing approximately 9.90% of the issued share capital of the Company. Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 689,600,000 Shares, representing approximately 71.83% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror incurred an obligation to make a mandatory unconditional cash offer for 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 MERDEKA CORPORATE FINANCE

2. Background information of the Group

(a) *Principal business*

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1667). The Group has two reportable segments, namely:

- (1) construction and engineering services: principally engaged in the provision of (a) building construction services; (b) alteration, addition, fitting-out works and building services; and (c) repair and restoration of historic buildings in Hong Kong; and
- (2) property development and investment: principally engaged in the property development and investment business in Hong Kong and other countries in the Asia-Pacific region.

(b) *Historical financial information*

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 March 2018, 31 March 2019 and 31 March 2020 (the “FY2018”, “FY2019” and “FY2020”, respectively) as extracted from the 2019 AR and the 2020 AR and for the six months ended 30 September 2019 (the “1H2019”) and 30 September 2020 (the “1H2020”) as extracted from the 2020 IR:

Table 1: Historical financial information of the Group

	For the year ended 31 March			For the six months ended 30 September	
	2018	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)				
	<i>(Note)</i>				
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	532,127	491,839	260,950	144,583	65,417
— Construction and engineering services	531,855	491,506	260,728	144,472	65,165
— Property development and investment	272	333	222	111	252
Gross profit/(loss)	71,513	62,424	22,272	19,768	(20,779)
Profit/(Loss) before taxation	20,147	17,075	(16,879)	520	(39,861)
Profit/(Loss) attributable to owners of the Company for the year/period	15,587	14,666	(17,038)	587	(39,892)

LETTER FROM MERDEKA CORPORATE FINANCE

	As at 31 March		As at 30 September	
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)			
	<i>(Note)</i>			
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	330,396	458,755	392,954	403,367
Total liabilities	166,804	316,746	267,983	299,088
Total equity attributable to owners of the Company	163,592	142,009	124,971	104,279

Note: The figures for the year ended/as at year ended 31 March 2018 have been restated with the effect of change in accounting policy of investment properties from cost model to fair value model under HKAS 40.

(i) *For the financial year ended 31 March 2019*

For the FY2019, the Group recorded total revenue of approximately HK\$491.8 million, representing a slight decrease of approximately 7.6% as compared to approximately HK\$532.1 million for the FY2018. As noted from the 2019 AR, such decrease was mainly attributable to the completion of a predominant project with the majority of its revenue primarily settled in FY2018. The Group's gross profit decreased in a similar manner recording approximately HK\$62.4 million for the FY2019, representing a slight decrease of approximately 12.7% as compared to approximately HK\$71.5 million for the FY2018. The Group's gross margin decreased by approximately 0.7 percentage points from approximately 13.4% for the FY2018 to approximately 12.7% for the FY2019.

For the FY2019, the Group recorded profit attributable to owners of the Company of approximately HK\$14.7 million, representing a slight decrease of approximately 5.8% as compared to approximately HK\$15.6 million for the FY2018. As noted from the 2019 AR, such decrease was primarily attributable to the abovementioned decrease in revenue for the FY2019 as compared to the FY2018.

The total assets of the Group increased by approximately HK\$128.4 million from approximately HK\$330.4 million as at 31 March 2018 to approximately HK\$458.8 million as at 31 March 2019. The total assets of the Group as at 31 March 2019 mainly comprised of (i) current contract assets and amounts due from customers for contract works of approximately HK\$242.3 million (31 March 2018:

LETTER FROM MERDEKA CORPORATE FINANCE

approximately HK\$164.4 million); and (ii) current trade, retention and other receivables, deposits and prepayments of approximately HK\$95.0 million (31 March 2018: approximately HK\$86.8 million).

The total liabilities of the Group increased by approximately HK\$149.9 million from approximately HK\$166.8 million as at 31 March 2018 to approximately HK\$316.7 million as at 31 March 2019. The total liabilities of the Group as at 31 March 2019 mainly comprised of (i) current trade and other payables and accruals of HK\$167.9 million (31 March 2018: approximately HK\$96.8 million); and (ii) current borrowings of HK\$130.2 million (31 March 2018: approximately HK\$62.0 million).

The equity attributable to owners of the Company decreased slightly by approximately 13.2% from approximately HK\$163.6 million as at 31 March 2018 to approximately HK\$142.0 million as at 31 March 2019.

(ii) *For the financial year ended 31 March 2020*

For the FY2020, the Group recorded total revenue of approximately HK\$261.0 million, representing a decrease of approximately 46.9% as compared to approximately HK\$491.8 million for the FY2019. As disclosed in the 2020 AR, such decrease was mainly attributable to certain projects with relatively larger initial contract sum were completed or substantially completed during the year and contributions in revenue by such projects were reduced and decrease in awards of projects in both public and private sectors, due to the negative effects arising from social events, political disputes and the overall economic downturn in Hong Kong. The Group's gross profit decreased in a similar manner recording approximately HK\$22.3 million for the FY2020, representing a decrease of approximately 64.3% as compared to approximately HK\$62.4 million for the FY2019. The Group's gross margin decreased by approximately 4.2 percentage points from approximately 12.7% for the FY2019 to approximately 8.5% for the FY2020.

For the FY2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$17.0 million as compared to a profit attributable to owners of the Company of approximately HK\$14.7 million for the FY2019. Such loss was primarily attributable to the abovementioned decrease in revenue for the FY2020 as compared to the FY2019.

The total assets of the Group decreased by approximately HK\$65.8 million from approximately HK\$458.8 million as at 31 March 2019 to approximately HK\$393.0 million as at 31 March 2020. The total assets of the Group as at 31 March 2020 mainly comprised of (i) current contract assets of approximately HK\$228.9 million (31 March 2019: approximately HK\$242.3 million); and (ii) current trade, retention and other receivables, deposits and prepayments of approximately HK\$58.7 million (31 March 2019: approximately HK\$95.0 million).

LETTER FROM MERDEKA CORPORATE FINANCE

The total liabilities of the Group decreased by approximately HK\$48.7 million from approximately HK\$316.7 million as at 31 March 2019 to approximately HK\$268.0 million as at 31 March 2020. The total liabilities of the Group as at 31 March 2020 mainly comprised of (i) current trade and other payables and accruals of HK\$141.0 million (31 March 2019: approximately HK\$167.9 million); and (ii) current borrowings of HK\$102.5 million (31 March 2019: approximately HK\$130.2 million).

The equity attributable to owners of the Company decreased slightly by approximately 12.0% from approximately HK\$142.0 million as at 31 March 2019 to approximately HK\$125.0 million as at 31 March 2020.

(iii) *For the six months ended 30 September 2020*

For the 1H2020, the Group recorded total revenue of approximately HK\$65.4 million, representing a decrease of approximately 54.8% as compared to approximately HK\$144.6 million for the 1H2019 and recorded a gross loss and loss attributable to owners of the Company for the 1H2020 of approximately HK\$20.8 million and HK\$39.9 million respectively as compared to a gross profit and profit attributable to owners of the Company for the 1H2019 of approximately HK\$19.8 million and HK\$0.59 million respectively. As disclosed in the profit warning announcement of the Company dated 11 November 2020 and the 2020 IR, the Board is of the view that such decrease in revenue and loss was due to (i) the ongoing projects during the six months ended 30 September 2020 which had lower gross profit margin than that of the on-going projects during the period ended 30 September 2019 due to the increasingly competitive environment of the construction industry; (ii) decrease in the number of projects awarded to the Group in both public and private construction market, due to severe competition and the negative effect arising from the outbreak of the novel coronavirus (COVID-19) and the overall economic depression in Hong Kong; and (iii) cost overrun resulting from unexpected prolonged completion of certain projects as there were additional costs incurred to catch up with the progress of these certain on-going projects and to maintain the quality of construction work.

The total assets of the Group increased by approximately HK\$10.4 million from approximately HK\$393.0 million as at 31 March 2020 to approximately HK\$403.4 million as at 30 September 2020. The total assets of the Group as at 30 September 2020 mainly comprised of (i) current contract assets of approximately HK\$221.2 million (31 March 2020: approximately HK\$228.9 million); and (ii) current trade, retention and other receivables, deposits and prepayments of approximately HK\$55.8 million (31 March 2020: approximately HK\$58.7 million). The increase in total assets of the Group as at 30 September 2020 was primarily attributable to an increase in the Group's (i) financial assets at fair value through profit or loss; and (ii) cash and bank balances.

LETTER FROM MERDEKA CORPORATE FINANCE

The total liabilities of the Group increased by approximately HK\$31.1 million from approximately HK\$268.0 million as at 31 March 2020 to approximately HK\$299.1 million as at 30 September 2020. The total liabilities of the Group as at 30 September 2020 mainly comprised of (i) current trade and other payables and accruals of HK\$125.2 million (31 March 2020: approximately HK\$141.0 million); and (ii) current borrowings of HK\$151.2 million (31 March 2020: approximately HK\$102.5 million).

The equity attributable to owners of the Company decreased by approximately 16.6% from approximately HK\$125.0 million as at 31 March 2020 to approximately HK\$104.3 million as at 30 September 2020.

3. Background and intention of the Offeror

Background of the Offeror

As stated in the section headed “INFORMATION ON THE OFFEROR” in the Letter from Ample Capital and Grand Harbour, the Offeror is a company incorporated in the British Virgin Islands with limited liability as an investment holding company, and as at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Ms. Hou. Ms. Hou is the sole director of the Offeror.

Ms. Hou, aged 41, is one of the shareholders and the general manager of Shenzhen Ruijia Jewellery Company Limited* (深圳市瑞嘉珠寶有限公司) (“Shenzhen Ruijia”), a distributor with up to 35 stores of a well-known jewellery brand in Hong Kong and has been recognised with the best sales performance awards by the said jewellery brand. Ms. Hou has been appointed as the general manager of Shenzhen Ruijia since August 1999. Her role as the general manager involves day-to-day operation of the company’s business, formulating the annual, quarterly and monthly budgets, managing the operation of the retail stores, exploration of new retail market, liaising with the company’s brand strategic partnership and relationship with the landlords of the company’s various stores.

Ms. Hou is also the supervisor of Shenzhen Zhong Ying Tai Pictures Company Limited* (深圳中影泰得影業股份有限公司) and Shenzhen Zhong Ying Tai Cinema Development Company Limited* (深圳中影泰得院綫發展有限公司), which principally engage in cinema investment consultancy, management and planning in the PRC and cinema business operations in more than 15 cities in the PRC, respectively.

Immediately prior to the Completion, the Offeror and parties acting in concert with it were interested in 95,000,000 Shares, representing approximately 9.90% of the issued share capital of the Company. Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in an aggregate of 689,600,000 Shares, representing approximately 71.83% of the total issued share capital of the Company.

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Save for the aforementioned, the Offeror, the director of the Offeror and parties acting in concert with the Offeror do not have any other interests in the share capital or voting rights of the Company.

Intention of the Offeror

We do not have adequate information to form an opinion on the rationale behind why the Offeror decided to acquire the Shares from the Vendors and to make the Offer.

However, as stated in the section headed “INTENTION OF THE OFFEROR IN RELATION TO THE GROUP” in the Letter from Ample Capital and Grand Harbour, The Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group. The Offeror also intends to continue the existing principal business of the Group immediately following Completion. The Offeror intends to continue to focus on the existing principal business of the Group in the future and explore potential avenues and strategies to achieve growth in the business operations of the Group while working with the Vendors, who would remain as directors of the subsidiaries of the Group following Completion and the close of Offer. The Offeror will, following the close of the Offer, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. The Offeror has no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any disposal, termination or scaling-down of the Company’s businesses and injection of any new business to the Group in the next 12 months, however, subject to the results of the review, the Offeror may explore other business opportunities and consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Company.

Proposed change of the Board composition

As at the Latest Practicable Date, the Board is made up of six Directors, namely Mr. Leung Kam Fai and Mr. Lam Ka Ho as executive Directors, Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Fong Man Fu Eric and Mr. Wong Chun Tai as independent non-executive Directors.

As disclosed in the section “Proposed change of the Board composition” in the Letter from Ample Capital and Grand Harbour, the Offeror intends to nominate new directors to the Board with effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code. The existing Directors, namely Mr. KF Leung, Mr. Lam, Mr. Keung Kwok Hung, Ms. Lau Suk Han Loretta, Mr. Wong Chun Tai and Mr. Fong Man Fu Eric, will resign from the Board with effect from the earliest date as permitted for resignation of existing Directors under (or pursuant to any dispensation from) the Takeovers Code, the Listing Rules or other applicable laws or rules or regulations applicable to the Company or by the SFC.

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Following Completion and the close of the Offer, the Vendors would remain as directors of the subsidiaries of the Group.

The Vendors would remain as directors of the subsidiaries of the Group because they are acquainted with the business and the day to day operation of the operating subsidiaries of the Group, such that the change in control of the Company would not cause a material disruption to the daily business operations of the Group.

As at the Latest Practicable Date, the Offeror has not yet determined as to who will be nominated and the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

As disclosed above, Ms. Hou, being the sole director of the Offeror, possesses experience in the jewellery and cinema operations business, does not have experience in the principal business of the Group, being (i) building construction services; (ii) alteration, addition, fitting-out works and building services; (iii) repair and restoration of historic buildings; and (iv) property development and investment, and will nominate new Directors to the Board. In addition, we are of the understanding that the Vendors, including Mr. KF Leung, Mr. Lam and Mr. Aaron Leung, who all possess extensive experience in the construction and civil engineering industry, will continue to serve as key personnel for the operation of the existing business of the Group. Nevertheless, we consider that the operations of the business of the Group may be affected during the transitional period despite the extensive experience and network of Ms. Hou as the new Board would need time to review and understand the original business before developing a sustainable business plan or strategy for the Group and the employees would also have to adapt to the leadership and management of the new Board (the “**Transitional Period**”). We are of the view that, the effect during the Transitional Period, which may or may not happen, is not expected to be material to the business of the Group as the business of the Group is largely project based with several ongoing projects and the Vendors will remain as key personnel overseeing the operations of the Group, which includes sourcing of new projects and clients. Despite that, Shareholders are still subject to the risk of Share price fluctuation given that the Share price is associated with the business performance and strategy of the Group, as well as the background and experience of the potential new Directors.

4. Future prospects and outlook of the Group

As disclosed in the 2020 AR, the Group is principally engaged in (i) building construction services; (ii) alteration, addition, fitting-out works and building services; (iii) repair and restoration of historic buildings; and (iv) property development and investment.

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The Group's primary business segment, namely the alteration, addition, fitting-out works and building services, contributed approximately 92.0% of the Group's total revenue respectively in FY2020. In contrast, the Group's building construction services; repair and restoration of historic buildings; and property development and investment only contributed approximately 3.3%, 4.6% and 0.1% of the Group's total revenue in FY2020, respectively.

It is understood from the Company that the future growth and level of profitability of the construction industry in Hong Kong depends on, among other factors, the availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the spending patterns of the Hong Kong Government for the construction industry, the investments of property developers and the general conditions and prospects of local economy. These factors may affect the availability of the building construction works, alteration, addition, fitting-out and building works, and repair and restoration of historic buildings works from the customers.

Taking reference to recent local and international news, Hong Kong experienced significant political turmoil with regular protests and civil unrest during the FY2020 that is typically uncharacteristic of Hong Kong. The trade war between the United States of America and the PRC that began in 2018 and continued throughout FY2020 is also still ongoing with no immediate foreseeable resolution. In the 1st quarter of 2020, the COVID-19 virus shutdown economies globally, including Hong Kong. We expect the aforementioned factors to have an impact on the Hong Kong economy and the property market in particular making Hong Kong's future outlook and prospects relatively uncertain which is expected to have impacts on the Group's future prospects as the Group's business is primarily based in Hong Kong.

As noted from the 2019 AR and 2020 AR, the Group's construction business has seen a continual decline for the past three financial years, from approximately HK\$532.1 million in revenue for the FY2018 reduced to approximately HK\$261.0 million in FY2020. The Company has also given no indication on any expansion plans to the Group's various business segments. In addition, the Group's overall financial performance over the past three financial years have been on a continual decline, recording a loss attributable to owners of the Company of approximately HK\$17.0 million in FY2020 as compared to a profit attributable to owners of the Company of approximately HK\$15.6 million in FY2018. Taking into account the aforementioned factors, the future outlook of the Group's construction business is relatively uncertain.

Having considered that the uncertainties associated with the financial performance and prospects of the Group as discussed above, including but not limited to (i) the recent political turmoil in Hong Kong, COVID-19 and the uncertainties in global economies; (ii) the uncertain growth potential of the Group's principal business segments; (iii) the Group's continually declining financial results; and (iv) there is no concrete plan on the future development of the Group as at the Latest Practicable Date, we are of the view that the Group might continue to operate in a challenging environment in coming years and we remain cautious about the outlook and prospects of the Group.

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5. Industry overview and outlook

According to the “Reports on the Quarterly Survey of Construction Output” published on 11 December 2017, 12 March 2018, 11 June 2018, 11 September 2018, 11 December 2018, 12 March 2019, 11 June 2019, 11 September 2019, 12 December 2019, 17 March 2020, 11 June 2020 and 11 September 2020 by the Census and Statistics Department of the Hong Kong Government, Hong Kong’s construction industry has been on the decline trend in recent years. Below is a table illustrating the gross value of construction works performed by main contractors per quarter and the percentage difference as compared to the same quarter for the previous year for the most recent 12 quarters, starting from and inclusive of the 3rd quarter of 2017 and ending on and inclusive of the 2nd quarter of 2020 (i.e. 3 years).

HK\$ millions	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total ¹
2017	—	—	60,405	64,519	—
2018	65,875	61,543	60,297	65,503	252,342
2019	56,942	57,034	58,435	62,830	239,776
2020	55,909	55,909	—	—	233,083

Source: <https://www.censtatd.gov.hk/hkstat/sub/sp330.jsp?productCode=B1090002>

Note:

- (1) The totals are calculated per every four quarters ended on every 2nd quarter (i.e. the total for the year 2020 was calculated by taking the sum of the 1st and 2nd quarter of 2020 and the 3rd and 4th quarter of 2019).

We noted from the above table that, apart from a slight gain in 4th quarter of 2018 as compared to 4th quarter of 2017, for the previous 3 years, Hong Kong’s overall construction output has decreased every quarter in comparison to the same quarter in the previous year. The overall total construction output per year also demonstrated a reduction of 4.98% from 2019 as compared to 2018, and a drop of 2.79% from 2020 as compared to 2019.

Taking into account the abovementioned, alongside with the political and economic uncertainties in Hong Kong, the Group has encountered a deteriorating performance from FY2018 to FY2020, which is mentioned in the above section “Future prospects and outlook of the Group”. Hence, it is uncertain whether the construction business of the Group will have a sharp rebound in the near future.

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6. Principal terms of the Offer

CIS Securities is making the Offer, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms as set out in the Composite Document issued in accordance with the Takeovers Code, on the following basis:

For each Offer Share HK\$0.28125 in cash

The Offer Price of HK\$0.28125 per Offer Share under the Offer is equivalent to the purchase price of HK\$0.28125 per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects.

6.1 *The Offer Price*

The Offer Price of HK\$0.28125 per Offer Share represents:

- (i) a premium of approximately 2.27% over the closing price of HK\$0.275 per Share on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 3.02% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.76% over the average closing price of approximately HK\$0.261 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 11.61% over the average closing price of approximately HK\$0.252 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 39.23% over the average closing price of approximately HK\$0.202 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 116.35% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.130 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 March 2020 as set out in the annual report of the Company for the year ended 31 March 2020; and

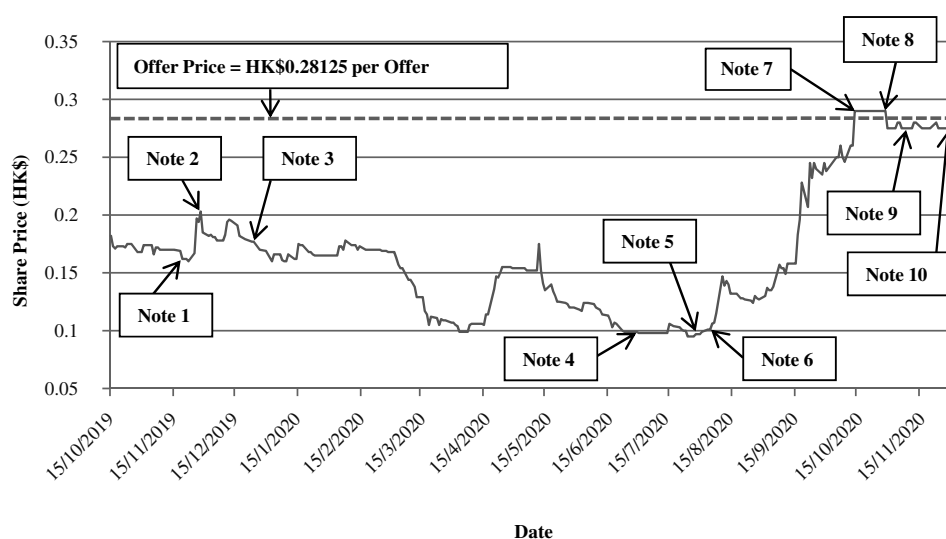
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(vii) a premium of approximately 158.03% over the unaudited consolidated net asset value attributable to the owner of the Company of approximately HK\$0.109 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 September 2020 as set out in the interim results of the Company for the six months ended 30 September 2020.

6.2 Historical performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 15 October 2019, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “Review Period”):

Share price performance during the Review Period



Source: www.hkex.com.hk

Notes:

1. Publication of profit warning announcement for the six months ended 30 September 2019 by the Company on 22 November 2019.
2. Publication of the Group's interim results for the six months ended 30 September 2019 on 28 November 2019.
3. Publication of the Group's interim report for the six months ended 30 September 2019 on 23 December 2019.
4. Publication of the Group's annual results for the FY2020 on 24 June 2020.
5. Publication of 2020 AR on 30 July 2020.
6. Publication of the announcement in relation to the Placing on 7 August 2020.

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7. The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 15 October 2020 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 30 October 2020.
8. Publication of the Joint Announcement on 29 October 2020.
9. Publication of the Profit Warning Announcement on 11 November 2020.
10. Publication of the 2020 IR on 30 November 2020.

We have reviewed the movements in the closing price of the Shares for the Review Period. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price.

The lowest and highest closing price of the Shares during the Review Period were HK\$0.095 per Share recorded on 24 July 2020 and 27 July 2020 and HK\$0.290 per Share recorded on 14 October 2020, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Review Period is approximately HK\$0.161 per Share. The Offer Price of HK\$0.28125 per Share represents (i) a premium of approximately 196.05% over the lowest closing price of HK\$0.095 per Share; (ii) a discount of approximately 3.02% to the highest closing price of HK\$0.290 per Share; and (iii) a premium of approximately 74.69% over the average daily closing price of approximately HK\$0.161 per Share during the Review Period.

Pre-Announcement Period

During the period under review from 15 October 2019 to 14 October 2020 (being the Last Trading Day) (the “**Pre-Announcement Period**”), the Share price demonstrated an overall upward trend. The lowest and highest closing price of the Shares during this period were HK\$0.095 per Share recorded on 24 July 2020 and 27 July 2020 and HK\$0.290 per Share recorded on 14 October 2020 respectively as quoted on the Stock Exchange. The Offer Price of HK\$0.28125 per Share represents (i) a premium of approximately 196.05% over the lowest closing price of HK\$0.095 per Share; (ii) a discount of approximately 3.02% to the highest closing price of HK\$0.290 per Share; and (iii) a premium of approximately 86.26% over the average daily closing price of approximately HK\$0.151 per Share during the Pre-Announcement Period.

From October 2019 through February 2020, the Shares traded in a relatively steady pattern between Share price ranging between HK\$0.160 and HK\$0.203, with an upward spike from HK\$0.167 on 25 November 2019 to HK\$0.203 on 28 November 2019 which coincides around the publication of a profit warning announcement by the Company on 22 November 2019. Upon publication of the Group’s interim results and interim report for the six months ended 30 September 2019 on 28 November 2019 and 23 December 2019 respectively, there were no notable movements in the Share price.

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In March 2020 coinciding with the outbreak of COVID-19 globally, the Share price recorded a downward trend from HK\$0.168 on 2 March 2020 to HK\$0.099 on 3 April 2020, 6 April 2020 and 7 April 2020. The Share price subsequently rebounded in May 2020 with an upward spike to HK\$0.175 recorded on 12 May 2020. The Shares subsequently trended downwards again to the lowest Share price recorded during the Review Period of HK\$0.095 on 24 July 2020 and 27 July 2020, respectively. Upon publication of the Group's annual results for the FY2020 on 24 June 2020, there was no notable movement in the Share price.

Soon after the publication of the 2020 AR on 30 July 2020, the Share price began trending upward and this upward trend has persisted throughout the remaining Pre-Announcement Period to the highest Share price of HK\$0.290 recorded on the Last Trading Day (i.e. 14 October 2020). We have reviewed the announcements published by the Company on the Stock Exchange during the period and we are of the view that such market reaction is likely to be in response to the publication of the announcement in relation to the placing of new Shares under general mandate on 7 August 2020 (the "**Placing**").

We have also enquired with the management of the Company for the possible reasons for the price movement during the period and were advised that, save for the information disclosed above, the Company was not aware of any other particular matters which might have impacts on the Share price. We believe the price movement periods were mainly due to the market speculation. The Independent Shareholders should note that there is no guarantee that such notable price movements may or may not occur during and/or after the Offer Period.

Post-Announcement Period

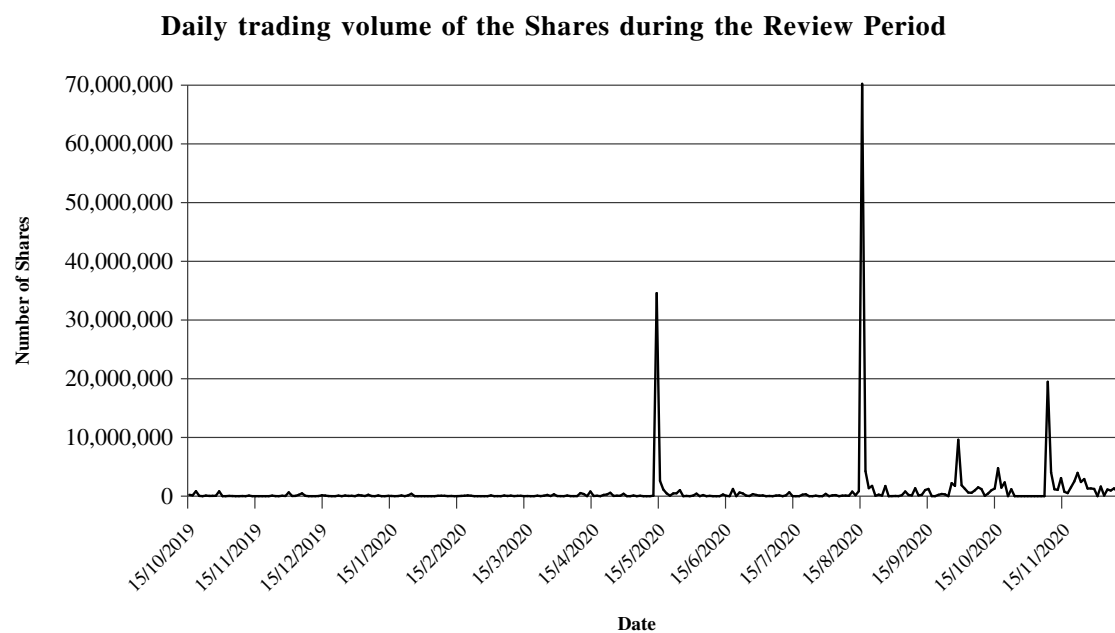
At the request of the Company, trading in the Shares was suspended from 9:00 a.m. on 15 October 2020 pending the publication of the Joint Announcement. Following the resumption of trading of Shares at 9:00 a.m. on 30 October 2020 and up to the Latest Practicable Date (the "**Post-Announcement Period**"), the closing price of the Shares decreased by approximately 5.17% from HK\$0.290 per Share to HK\$0.275 per Share. During the Post-Announcement Period, the closing prices of the Shares as quoted on the Stock Exchange was either a low of HK\$0.275 or a high of HK\$0.280.

The Offer Price of HK\$0.28125 per Share represents (i) a premium of approximately 2.27% over the lowest closing price of HK\$0.275 per Share; and (ii) a premium of approximately 0.45% over the highest closing price of HK\$0.280 per Share during the Post-Announcement Period.

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6.3 *Historical trading volume of the Shares*

Set out below is the chart showing the daily trading volumes of the Shares on the Stock Exchange during the Review Period:



Source: www.hkex.com.hk

Note: The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 15 October 2020 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 30 October 2020.

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Trading volume of the Shares during the Review Period

The following table sets out the historical monthly trading volumes of the Shares and the percentage of the number of Shares traded as compared to the total number of Shares in issue and the total number of Shares in issue held by public Shareholders during the Review Period.

Month/Period	Total trading volume for month/period (number of Shares)	Number of trading days during the month (days)	Average daily trading volume for month/period (number of Shares)	Percentage of average daily trading volume to total number of the Shares in issue as at the respective month or period (note 2) (%)	Percentage of average daily trading volume to total number of the Shares held by public Shareholders as at the respective month or period (note 3) (%)
2019 (note 1)					
15 October to 31 October	2,390,000	13	183,846	0.0230	0.0895
November	2,283,000	21	108,714	0.0136	0.0529
December	1,460,000	20	73,000	0.0091	0.0355
2020					
January	1,140,000	20	57,000	0.0071	0.0278
February	690,000	20	34,500	0.0043	0.0168
March	1,240,000	22	56,364	0.0070	0.0274
April	3,590,000	19	188,947	0.0236	0.0920
May	41,580,000	20	2,079,000	0.2599	1.0122
June	3,840,000	21	182,857	0.0229	0.0890
July	2,500,000	22	113,636	0.0142	0.0553
3 August 2020 to and including 20 August 2020	81,700,000	14	5,836,429	0.7296	2.8415
21 August 2020 to and including 31 August 2020	1,350,000	7	192,857	0.0201	0.0713
August total	83,050,000	21	6,029,286	0.4931	1.9181
September	26,520,000	22	1,205,455	0.1256	0.4458
5 October 2020 to and including the Last Trading Day (i.e. 14 October 2020)	12,510,000	8	1,563,750	0.1629	0.5783
30 October 2020 to and including the Latest Practicable Date (i.e. 1 December 2020)	54,250,000	23	2,358,696	0.2457	0.8723

Source: www.hkex.com.hk

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Notes:

- (1) The Review Period commenced on 15 October 2019.
- (2) Based on 800,000,000 Shares in issue prior to the completion of the Placing and 960,000,000 Shares in issue upon the completion of the Placing and as at the Latest Practicable Date.
- (3) Based on 205,400,000 Share held by the public Shareholders prior to the completion of the Placing and 270,400,000 Shares held by the public Shareholders upon the completion of the Placing and as at the Latest Practicable Date.
- (4) The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 15 October 2020 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 30 October 2020.

As illustrated above, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue during the Review Period ranged from approximately 0.0043% in February 2020 to approximately 0.4931% in August 2020 with an average daily trading volume throughout the whole Review Period of approximately 0.0908% of the total number of issued Shares. If only Shares held by public Shareholders (the “**Free Float Shares**”), are considered in calculating the percentage of average daily trading volume of the Shares per month during the Review Period, the average daily trading volume of the Free Float Shares during the Review Period ranged from approximately 0.0168% in February 2020 to approximately 1.9181% in August 2020 with an average daily trading volume throughout the whole Review Period of approximately 0.3223% of the total number of Free Float Shares. Therefore, the trading volume of the Shares was relatively thin in the Review Period and illiquid in the open market.

As shown in the above table, we noted that the average daily trading volume of the Shares in August 2020 as a percentage of the total number of the Shares in issue and as a percentage of the Free Float Shares were relatively higher. We have reviewed the announcements published by the Company on the Stock Exchange during the period and we are of the view that such market reaction is likely to be in response to the publication of the announcement in relation to the Placing.

The average daily trading volume of the Free Float Shares during the Post-Announcement Period of approximately 0.8723% has been notably higher than other months throughout the Review Period, except for August 2020. We are of the view that the market reaction is likely to be in response to the publication of the Offer Announcement and it is uncertain whether such trading momentum could be sustained in light that the average daily trading volume of the Shares was generally thin for most of the time during the Review Period i.e. the average daily trading volume during the Review Period was approximately 871,518 Shares, representing approximately 0.0908% of the total number of Shares in issue.

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Given the thin trading volume of the Shares, the Independent Shareholders may find it difficult to dispose of a large volume of Shares in the open market in a short period of time without exerting downward pressure on the price of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive through the disposal of their Shares in the open market and therefore, the Offer provides a viable alternative exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to realise their investments in the Company.

Having considered that (i) the overall price performance of the Shares during the Review Period; (ii) the Offer Price represents a premium over the average of the closing prices as quoted on the Stock Exchange for last five, ten and thirty trading days up to and including the Last Trading Day and the audited consolidated net asset value per Share as at the 31 March 2020 and the unaudited consolidated net asset value per Share as at 30 September 2020; (iii) the uncertainty associated with the financial performance and prospects of the Group as discussed in the section headed “Future prospects and outlook of the Group” above; (iv) there is no guarantee that the share price level during the Post-Announcement Period will persist during and/or after the Offer Period; and (v) the trading volume of the Shares was generally thin for the majority of the Review Period, as such we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a relatively large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to. The Independent Shareholders who wish to realise their investments in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

6.4 Comparable Analysis

In order to further assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”) and dividend yield which are commonly adopted trading multiple analyses. Given that the Group was loss-making for the FY2020 and no dividend was distributed for the FY2018, FY2019 and FY2020, the P/E Ratio analysis and dividend yield analysis are not applicable. P/B Ratio analysis is a commonly used business valuation method for capital-intensive business or businesses with plenty of assets on the books. According to the 2020 AR, although the Company is principally engaged in construction and engineering services business, it had plenty of contract assets on the book which accounted for approximately 183.14% of the Group’s net asset value. As discussed with the management of the Company, contract assets in the financial statements of the Company arises when the Company has completed a provision of service but has not received the underlying service fee until the relevant work has been certified by a relevant qualified expert. As such, contract assets are in essence delayed cash inflows to the Company which is similar to receivables. It is understood that the

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assets of the companies that are principally engaged in construction business, i.e. the Company and the Comparables, largely consist of clients' payment obligations such as contract assets as described above, which represents an indicator of the financial status and a basic evaluation of a construction company as contract assets can be seen as the anticipated cash inflow of a construction company.

Furthermore, we consider that the level of net assets of the Company would have impact on the number and size of projects that the Company can take up and hence the operation and the financial performance of the Company would be affected. Therefore we consider that the P/B Ratio analysis is the most suitable valuation method for our analysis.

Based on the Offer Price of HK\$0.28125 per Offer Share and the total number of issued Shares of 960,000,000 as at the Latest Practicable Date, the Company is valued at HK\$270.00 million. The P/B Ratio of the Company implied by the Offer Price is approximately 2.59 (the "**Implied P/B Ratio**") based on the unaudited consolidated net asset value of the Company of approximately HK\$104.28 million as at 30 September 2020.

We have attempted to identify the comparable companies which are (i) listed on the Stock Exchange; (ii) principally engaged in same or similar majority business as the Group i.e. engaged in construction services in Hong Kong; and (iii) primary revenue source is from alteration, addition and fitting-out works related construction services (i.e. greater than 50% of total annual revenue). In order to ensure that the sample size is a meaningful comparison, we consider a categorisation based on market capitalisation of the Comparables is necessary and we have chosen Comparables with a market capitalisation in the range of HK\$100 million to HK\$1,000 million as at the Last Trading Day. In this regard, we have identified 15 comparable companies (the

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“Comparables”) which are exhaustive based on our research on the website of the Stock Exchange and financial analytical software Factset in accordance with the above criteria. Details of our analysis are listed below:

P/B Ratios of the Comparables

Company name	Stock code	Principal business	Market capitalisation as at the Last Trading Day (HK\$)	Net asset value ¹ (HK\$)	P/B Ratio ^{1,2,3}
B & D Strategic Holdings Limited	1780	Provision of infrastructure services through alteration and addition works, and civil engineering works segments	244,900,000	262,546,000	0.91
Hope Life International Holdings Ltd.	1683	Provision of interior design and financial solutions through construction and ancillary services, financial business, and health business	590,000,000	142,577,000	4.14
Yield Go Holdings Ltd.	1796	Provision of fitting-out services and supply of fitting-out materials	206,400,000	168,380,000	1.23
Able Engineering Holdings Ltd.	1627	Provision of building construction, repair, maintenance, alternation & addition works (RMAA), building conversion, design and build as well as fitting out works	780,000,000	1,254,843,000	0.62
Gain Plus Holdings Limited	9900	Provision of building construction services including repair, maintenance, addition, and alteration services	465,000,000	184,059,000	2.63
IBI Group Holdings Limited	1547	Provision of renovation services as a main contractor for property projects, fitting-out project and alteration and addition projects	166,400,000	135,134,000	1.24
Vision Fame International Holding Limited	1315	Provision of contractor services through building construction and other construction related business (i.e. alternations, renovation, upgrading, and fitting-out work)	384,000,000	134,934,000	2.85
Chi Ho Development Holdings Ltd	8423	Provision of renovation, maintenance, and alteration and addition works (RMAA) and fitting-out work services in Hong Kong	228,000,000	108,059,000	1.85
Huarchi Global Group Holdings Ltd.	2296	Provision of fitting-out works, construction works, and repair and maintenance works as a fitting-out contractor	950,000,000	274,062,000	3.47
Sanbase Corporation Limited	8501	Provision of interior fit-out management and solutions including bare shell fit-out, restacking, reinstatement, maintenance, and churn work	118,000,000	152,205,000	0.78
Superland Group Holdings Limited ³	368	Provision of fitting-out services, repair, and maintenance services to residential and commercial properties	608,000,000	16,699,000	36.41 ³

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Company name	Stock code	Principal business	Market capitalisation as at the Last Trading Day (HK\$)	Net asset value ¹ (HK\$)	P/B Ratio ^{1,2,3}
Thelloy Development Group Limited	1546	Provision of building construction services through repair, maintenance, alteration, and addition works	177,600,000	123,352,000	1.44
Wecon Holdings Ltd.	1793	Provision of building construction and maintenance services through construction, repair, maintenance, alteration and addition services	124,000,000	277,969,000	0.45
WLS Holdings Limited	8021	Provision of construction services through scaffolding services, fitting out services, management contracting services and gondolas, parapet railings, and access equipment installation, and maintenance services	502,848,538	524,349,000	0.96
Yau Lee Holdings Limited	406	Provision of construction services, electrical and mechanical installation, building materials supply, property investment and development, hotel operations, and construction, plumbing, renovation, maintenance, and fitting-out projects	416,150,920	1,280,648,000	0.32
				Highest³	4.14
				Average³	1.65
				Lowest³	0.32
The Company	1667		270,000,000	104,279,000	2.59

Source: www.hkex.com.hk

Notes:

- The P/B Ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Last Trading Day divided by the net assets value of the respective Comparables as extracted from their respective latest published interim or annual results as at the Last Trading Day.
- The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company based on the Offer Price.
- As noticed from the interim report for the six months ended 30 June 2020 of Superland Group Holdings Limited (stock code: 368) (“**Superland**”), the net asset value of Superland decreased significantly from approximately HK\$155.7 million as at 31 December 2019 to approximately HK\$16.7 million as at 30 June 2020, while the share price of Superland has risen approximately 20.63% since its initial public offering dated 17 July 2020 and up to the Last Trading Day (i.e. 14 October 2020). Hence, the P/B Ratio of Superland encountered a sudden significant

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increment from approximately 3.24 as at its initial public offering to approximately 36.31 as at the Last Trading Day. To avoid distortion to the overall comparable analysis due to the abnormality of such single result, the P/B Ratio of Superland has been excluded in our analysis.

As illustrated in the table above, the P/B Ratios of the Comparables ranged from approximately 0.32 to approximately 4.14, with an average of approximately 1.65. The Implied P/B Ratio of approximately 2.59 is within range and is higher than the average P/B Ratios of the Comparables of approximately 1.65 of the Comparables by approximately 30.91%.

In regards to a P/B Ratio analysis of the Offer Price, having considered that the Implied P/B Ratio of 2.59 is within range and is higher than the average P/B Ratios of the Comparables of approximately 1.65 of the Comparables, we are of the view that the Offer Price is fair and reasonable to the Independent Shareholders.

7. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, upon 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) that there are insufficient Shares in public hands to maintain an orderly market,

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

As disclosed in the Letter from Ample Capital and Grand Harbour, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date. The Offeror and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

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RECOMMENDATION

Having considered the abovementioned principal factors and reasons set out in this letter, in particular:

- (a) the political and economic uncertainties and the overall decline in the financial performance of the Group from FY2018 to FY2020 as mentioned in the above section “Future prospects and outlook of the Group” and the downward trend of the construction industry in Hong Kong as mentioned in the above section “Industry overview and outlook”;
- (b) the decrease in revenue and loss recorded for the 1H2020 as compared to the profit recorded for the 1H2019 as mentioned in the above section “Background information of the Group”;
- (c) the Offer Price of HK\$0.28125 per Offer Share represents a premium of approximately 74.69% over the average market price of the Shares during the Review Period and represents a premium of 7.76%, 11.61% and 39.23% over the average of the closing prices as quoted on the Stock Exchange for last five, ten and thirty trading days up to and including the Last Trading Day respectively and a premium of approximately 116.35% and 158.03% over the audited consolidated net asset value of the Company per Share as at 31 March 2020 and the unaudited consolidated net asset value per Share as at 30 September 2020 respectively;
- (d) the Offer represents an immediate exit for Shareholders, in particular the Shareholders who hold a large amount of Shares, who wish to avoid any potential uncertainty in the Shares even though Ms. Hou, the sole director of the Offeror, possesses extensive experience, and the risk that the Company may still encounter short-term business uncertainty during the transitional period between the new introduction of the Board management and the existing personnel of the Company and also during the period when the new management of the Board review the existing business of the Group;
- (e) the trading volume of the Shares was generally thin during the Review Period with an average daily trading volume throughout the whole Review Period of approximately 0.3223% of the total number of Free Float Shares and thus it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price; and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market; and
- (f) the Implied P/B Ratio of 2.59 is within range (i.e. a minimum of 0.32 to a maximum of 4.14) and higher than the average (i.e. 1.65) of the P/B Ratios of the Comparables,

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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 Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

As noted from the Letter from Ample Capital and Grand Harbour, the Offeror possesses a diversified business background and is equipped with over 20 years of corporate management experience and the Offeror intends to nominate new Directors to the Board, as such the Independent Shareholders who do not accept the Offer may benefit from the new management and/or new business opportunities to be explored by the Offeror for the Group. However, given that any potential future plans may or may not be realised, the Independent Shareholders who do not accept the Offer will still be subject to the uncertainties on the future prospects of the Group's business.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Wallace So
Director

Note: Mr. Wallace So is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 9 years of experience in investment banking and corporate finance.

1. PROCEDURES FOR ACCEPTANCE**1.1 The Offer**

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the 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 any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "Milestone Builder Holdings Limited — Offer" on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce as a result of a revision or an extension of the Offer in accordance with the Takeovers Code, if any.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver 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 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 by no later than 4:00 p.m. on the Closing Date;

- (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, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and signed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be delivered to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or CIS Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf

and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the duly completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) 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.
- (i) The address of the Registrar, Tricor Investor Services Limited, is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. SETTLEMENT OF THE OFFER**2.1 The Offer**

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the 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 of receipt by the Registrar of the duly completed acceptances of the Offer and all relevant documents of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
- (b) 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.
- (c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Registrar for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on 4 December 2020, being the date of despatch of this Composite Document, and are capable of acceptance on and from this date until 4:00 p.m. on the Closing Date.
- (b) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar (in respect of the Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive.

- (c) 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.
- (d) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or 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 the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. 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 his 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, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer have been revised, extended, or have expired.

The announcement will state the total number of Shares:

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

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are in all respects complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar (in respect of the Offer) no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by Independent Shareholders, respectively, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (b) below;
- (b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “4. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 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) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

6. STAMP DUTY

The sellers' Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all Independent Shareholders, including the Overseas Shareholders. As the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions,

the Overseas Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any relevant applicable legal or regulatory requirements and, where necessary, seek 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 with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions.

The Offeror and the parties acting in concert with it, the Company, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Independent Shareholders for any taxes as such persons may be required to pay.

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.

8. NOMINEE REGISTRATION

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

9. 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, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance (as the case may be) and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the 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 ordinary post at their own risk, and none of the Company, the Offeror, parties acting in concert with it, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance and any of their respective directors nor the Registrar or other parties involved in the Offer or any of their respective agents accept any liability for any loss in postage, delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the 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 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 authority to the Offeror, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance 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 they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive in full all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of this Composite Document.

The Offer is made available to all Independent Shareholders, including those who are residents outside Hong Kong. The availability of the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. 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 legal advice.

Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibilities, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the 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 due in such jurisdictions.

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

- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of 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.
- (h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.
- (j) In making their decisions, 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 and parties acting in concert with it, the Company, CIS Securities, Ample Capital, Grand Harbour, Alpha Financial, Merdeka Corporate Finance and the Registrar. The Independent Shareholders should consult their own professional advisers for professional advice.

- (k) The Offer is made in accordance with the Takeovers Code.

- (l) The English transliteration of the Chinese name(s) in this Composite Document, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited financial information of the Group for the three financial years ended 31 March 2018, 2019 and 2020 as extracted from the annual reports of the Company for the two financial years ended 31 March 2019 and 2020 and the unaudited financial information of the Group for the six months ended 30 September 2020 as extracted from the interim results announcement of the Company for the six months ended 30 September 2020.

The auditor's report issued by PricewaterhouseCoopers in respect of the Group's audited consolidated financial statements for the three financial years ended 31 March 2020 did not contain any qualifications.

	For the six months ended 30 September 2020	For the year ended/ As at 31 March		
	2020	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited) (Restated) (Note)
Revenue	65,417	260,950	491,839	532,127
Cost of sales	(86,196)	(238,678)	(429,415)	(460,614)
Gross (loss)/profit	(20,779)	22,272	62,424	71,513
Administrative expenses	(15,273)	(31,831)	(40,559)	(51,062)
Finance costs	(4,193)	(9,511)	(5,916)	(2,826)
(Loss)/profit before tax	(39,861)	(16,879)	17,075	20,147
Income tax expense	(31)	(159)	(2,409)	(4,560)
(Loss)/profit for the period/year attributable to owners of the Company	(39,892)	(17,038)	14,666	15,587
Total comprehensive (loss)/income for the period/year attributable to the owners of the Company	(39,892)	(17,038)	18,145	22,684
Equity attributable to owners of the Company	104,279	124,971	142,009	163,592
Dividends declared and paid to owners of the Company	—	—	—	2,400
	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
(Loss)/earnings per share	(4.77)	(2.13)	1.83	1.96
Dividends per share	—	—	—	0.3

Note: The figures for the year ended/as at year ended 31 March 2018 have been restated with the effect of change in accounting policy of investment properties from cost model to fair value model under HKAS 40.

The Group did not record any (i) total comprehensive income or loss; and (ii) profit or loss attributable to non-controlling interests for the financial years ended 31 March 2018, 2019 and 2020 and for the six months ended 30 September 2020.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2018, 31 MARCH 2019 AND 31 MARCH 2020 AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2020 (the “**2021 Interim Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2019 Financial Statements**”); (iv) the audited consolidated financial statements of the Group for the year ended 31 March 2018 (the “**2018 Financial Statements**”); and, together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2021 Interim Statements are set out on pages 2 to 18 of the interim results announcement of the Company for the six months ended 30 September 2020, which was published on 30 November 2020. The interim results announcement of the Company for the six months ended 30 September 2020 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1130/2020113000691.pdf>

The 2020 Financial Statements are set out on pages 48 to 125 of the annual report of the Company for the year ended 31 March 2020, which was published on 30 July 2020. The annual report of the Company for the year ended 31 March 2020 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0730/2020073001319.pdf>

The 2019 Financial Statements are set out on pages 47 to 129 of the annual report of the Company for the year ended 31 March 2019, which was published on 30 July 2019. The annual report of the Company for the year ended 31 March 2019 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0730/lt20190730760.pdf>

The 2018 Financial Statements are set out on pages 45 to 111 of the annual report of the Company for the year ended 31 March 2018, which was published on 30 July 2018. The annual report of the Company for the year ended 31 March 2018 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0730/ltm20180730213.pdf>

The 2021 Interim Statements, the 2020 Financial Statements, the 2019 Financial Statements and the 2018 Financial Statements (but not any other part of the interim results announcement of the Company for the six months ended 30 September 2020, the annual report of the Company for the year ended 31 March 2020, the annual report of the Company for the year ended 31 March 2019 and the annual report of the Company for the year ended 31 March 2018 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had total outstanding indebtedness of approximately HK\$169.7 million which comprised of (i) bank borrowings of approximately HK\$141.2 million; (ii) loans from shareholders and other borrowings of approximately HK\$23.7 million; and (iii) lease liabilities of approximately HK\$4.8 million.

Guarantees

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Company, Mr. KF Leung and Mr. Lam had provided guarantees and Prime League Holdings Limited had provided property to secure bank borrowings and other borrowings of the Group of approximately HK\$31.0 million (including banking facilities of up to approximately HK\$10.8 million under the SME Financing Guarantee Scheme). Prime League Holdings Limited is a company incorporated in Hong Kong with limited liability and is owned as to 50% by Mr. KF Leung and 50% by Mr. Lam.

Out of the said bank and other borrowings of approximately HK\$31.0 million, the Group has already repaid the amount of approximately HK\$16.9 million and a further amount of approximately HK\$3.3 million will be repaid on or around 31 December 2020, following which arrangements will be made for the security interest on the property of Prime League Holdings Limited to be released. Upon Completion and the close of the Offer, each of Mr. KF Leung and Mr. Lam will continue to provide a personal guarantee for securing banking

facilities of the Group in the total amount of up to approximately HK\$10.8 million under the SME Financing Guarantee Scheme. Mr. KF Leung and Mr. Lam confirmed that they have sufficient resources to settle the obligations arising from the said banking facilities.

As confirmed by the Offeror, the Offeror intends to provide guarantee and/or financial support to the Group as and when required. Further, the Board considers that the proceeds from the loan facility of up to HK\$120 million under the Milestone Builder Engineering New Loan Agreement and the internal financial resources presently available to the Group, including cash inflow from operating activities and available banking facilities, will enable the Group to operate with sufficient capital and financial support following Completion.

Contingent liabilities

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had contingent liabilities of approximately HK\$4.9 million for indemnities issued to a bank for surety bonds in respect of construction contracts.

Pledge of assets

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had (i) pledged deposits of approximately HK\$26.2 million; (ii) investment properties with carrying amount of approximately HK\$22.3 million, which had been pledged as collateral for the Group's bank borrowings; (iii) motor vehicles with carrying amount of approximately HK\$0.2 million, which had been charged by the lessors under the finance lease; and (iv) trade receivables under factoring arrangement with the carrying amount of approximately HK\$5.1 million, which had been pledged as security for the Group's bank borrowings, other borrowings and surety bonds.

Save as aforesaid or otherwise disclosed herein, as at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group did not have any loan capital issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or contingent liabilities.

As at the Latest Practicable Date, the Directors confirm that there were no material changes in terms of indebtedness and contingent liabilities of the Group since 30 September 2020.

4. MATERIAL CHANGE

(i) The Placing

On 7 August 2020, the Company entered into a placing agreement with CIS Securities and Plutus Securities Limited as joint placing agents in relation to the placing of new Shares by the joint placing agents to placees to subscribe for up to 160,000,000 Placing Shares at the placing price of HK\$0.125 per Placing Share. On 20 August 2020, the Offeror subscribed for 95,000,000 Placing Shares under the Placing at the placing price of HK\$0.125 per Placing Share. The gross proceeds from the Placing amounted to HK\$20 million, and the net proceeds arising from the Placing amounted to approximately HK\$19.2 million. The Company applied the entire net proceeds from the Placing for repayment of bank loans of the Group. For further details, please refer to the Company's announcements dated 7 August 2020, 13 August 2020 and 20 August 2020.

(ii) The Statutory Demand

On 14 January 2020, a statutory demand (the "**Statutory Demand**") was served upon Milestone Builder Engineering by Yau Kwong Contracting Ltd ("**Yau Kwong**"), a nominated sub-contractor, in relation to payment disputes in the amount of HK\$4,987,048.68 (the "**Alleged Debt**") arising out of a nominated subcontract for alteration and addition works in Hong Kong. On 24 January 2020, Milestone Builder Engineering applied for an injunction order restraining Yau Kwong from presenting any petition for the winding up of Milestone Builder Engineering based on the Statutory Demand. On 23 October 2020, the High Court of Hong Kong has refused the grant of injunction sought by Milestone Builder Engineering. Subsequently, on 30 October 2020, Yau Kwong issued to Milestone Builder Engineering a petition for the winding up of Milestone Builder Engineering. On 3 November 2020, the Company has fully settled the Alleged Debt together with interest. In connection with the Petition, the Company and Yau Kwong had taken out a consent summons on 9 November 2020 to apply for leave to withdraw the Petition. On 26 November 2020, the Company received the sealed court order from the High Court in which the High Court has ordered, among other things, that leave be granted for the Petitioner to withdraw the Petition. For further details, please refer to the Company's announcements dated 10 November 2020 and 26 November 2020.

(iii) Unaudited Condensed Consolidated Financial Information of the Group for the six months ended 30 September 2020

As disclosed in the interim results announcement of the Company for the six months ended 30 September 2020, which was published on 30 November 2020, the Group recorded a consolidated net loss attributable to the owners of the Company for the six months ended 30 September 2020 of approximately HK\$39.9 million as compared to a consolidated net profit of approximately HK\$0.6 million for the six months ended 30 September 2019. The loss of the Group's results was due to the combined effects of: (i) the on-going projects during the six months ended 30 September 2020 which had lower gross profit margin than that of the

ongoing projects during the period ended 30 September 2019 due to the increasingly competitive environment of the construction industry; (ii) decrease in the number of projects awarded to the Group in both public and private construction market, due to severe competition and the negative effect arising from the outbreak of the novel coronavirus (COVID-19) and the overall economic depression in Hong Kong; and (iii) cost overrun resulting from unexpected prolonged completion of certain projects as there were additional costs incurred to catch up with the progress of these certain on-going projects and to maintain the quality of construction work.

Save for the above, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up and up to the Latest Practicable Date.

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 enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each, of which 960,000,000 Shares had been issued and were fully paid or credited as fully paid. All the existing issued Shares are fully paid up and rank *pari passu* in all respects including all rights as to capital, dividends and voting.

Save and except the issue of 160,000,000 Placing Shares, the Company has not issued any Shares since 31 March 2020, being the date to which the latest audited financial statements of the Company were made up.

Save as disclosed above, as at the Latest Practicable Date, there were no convertible securities, warrants, options, derivatives or other securities issued by the Company that are convertible or exchangeable into Shares or other types of equity interest in issue.

3. DISCLOSURE OF INTERESTS

(a) **Interests and short positions of the Directors' and chief executive in the Shares, the underlying shares and debentures of the Company or any associated corporation**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code.

(b) Interests and short positions of the substantial Shareholders in the Shares and underlying shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were 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 any member of the Group:

Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares Interested	Approximate percentage of the issued Shares
Offeror	Beneficial owner	689,600,000	71.83%
Ms. Hou	Interest of controlled corporation (Note 1)	689,600,000	71.83%
Aurum Hill Limited	Beneficial owner	65,000,000	6.77%
Cheung Ting Kin	Interest of controlled corporation (Note 2)	65,000,000	6.77%
CIS Finance	Person having a security interest in Shares (Note 3)	689,600,000	71.83%
Front Vantage Limited	Interest of controlled corporation (Note 4)	689,600,000	71.83%
CIS Holdings Limited	Interest of controlled corporation (Note 5)	689,600,000	71.83%

Notes:

1. This represents interests held by Ms. Hou through the Offeror, which holds 689,600,000 Shares. As the Offeror is wholly and beneficially owned by Ms. Hou, Ms. Hou is deemed to be interested in 689,600,000 Shares held by the Offeror under Part XV of the SFO.

2. This represents interests held by Mr. Cheung Ting Kin through Aurum Hill Limited, which holds 65,000,000 Shares. As Aurum Hill Limited is wholly and beneficially owned by Mr. Cheung Ting Kin, Mr. Cheung is deemed to be interested in 65,000,000 Shares held by Aurum Hill Limited under Part XV of the SFO.
3. CIS Finance has a security interest in 689,600,000 Shares. Accordingly, CIS Finance is deemed to be interested in 689,600,000 Shares under Part XV of the SFO.
4. CIS Finance is wholly-owned by Front Vantage Limited. Accordingly, Front Vantage Limited is deemed to be interested in 689,600,000 Shares in which CIS Finance has a security interest under Part XV of the SFO.
5. Front Vantage Limited is wholly-owned by CIS Holdings Limited. Accordingly, CIS Holdings Limited is deemed to be interested in 689,600,000 Shares in which CIS Finance has a security interest under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 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 any member of the Group.

4. DEALINGS AND INTERESTS IN THE COMPANY'S SECURITIES

During the Relevant Period, (i) save for the Sale Shares, none of the Directors 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; and (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of the Offeror.

Save for the 95,000,000 Placing Shares and the Sale Shares under the Sale and Purchase Agreement, none of the Offeror or parties acting in concert with it has dealt in nor owned any other Share or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the six months period prior to the commencement of the offer period (as defined under the Takeovers Code) (i.e. the date of publication of the Joint Announcement).

As at the Latest Practicable Date,

- (a) save for the 95,000,000 Placing Shares and the Sale Shares held by the Offeror, none of the Offeror and parties acting in concert with it holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;

- (b) there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with it;
- (c) save for the subscription of the 95,000,000 Placing Shares and the purchase of the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror, nor any person acting in concert with it has dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (d) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) save for the pledge of the Offer Shares and the Sale Shares and the Charge Over Account in respect of 689,600,000 Shares under the terms of the Loan Facility Agreement, no Shareholder had any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with the Offeror;
- (f) save for the pledge of the Offer Shares and the Sale Shares and the Charge Over Account in respect of 689,600,000 Shares under the terms of the Loan Facility Agreement, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror and CIS Finance, or between the Offeror or any person acting in concert with the Offeror, and any other person;
- (g) none of the Offeror and/or parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offer;
- (h) there are no conditions to which the Offer is subject;
- (i) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror, nor any person acting in concert with it;
- (j) save for the Loan Facility Agreement, the Share Charge, the Charge Over Account and the Debenture, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (k) save for the Sale and Purchase Agreement, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Offer;

- (l) there is no understanding, agreement or arrangement which constitutes a special deal under Rule 25 of the Takeovers Code between the Offeror or parties acting in concert with it on the one hand and the Vendors and parties acting in concert with any of them or any other Shareholders on the other hand;
- (m) save for the total consideration for the Sale Shares i.e. HK\$167,231,250, no other consideration, compensation or benefit in whatever form is paid or to be paid by the Offeror or any parties acting in concert with it to the Vendors or any parties acting in concert with any of them in connection with the sale and purchase of the Sale Shares; and
- (n) there is no understanding, arrangement, agreement or special deal under Rule 25 of the Takeovers Code between (1) any Shareholders; and (2)(a) the Offeror and its concert parties; or (b) the Company, its subsidiaries or associated companies.

5. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, a person 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 owned or controlled any shares or convertible securities, options, warrants, or derivatives of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;
- (ii) there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or 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 any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any such securities of the Company during the Relevant Period;
- (iv) none of the Directors has any beneficial shareholdings which is subject to the Offer;
- (v) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;

- (vi) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (vii) save for the Sale and Purchase Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (viii) no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

7. SERVICE CONTRACTS

The Company has entered into service agreements with its executive Directors. The Company entered into a service agreement dated 14 March 2020 with each of Mr. KF Leung and Mr. Lam, pursuant to which each of Mr. KF Leung and Mr. Lam was appointed as an executive Director for an initial term of three (3) years commencing on 14 March 2020 and ending on 13 March 2023 and renewable automatically for successive terms of three years upon expiry of the term, unless terminated by not less than one month's notice in writing. Each of Mr. KF Leung and Mr. Lam is entitled to receive a annual remuneration of HK\$2,500,000, including housing allowance, during the term of their respective service agreements. Each of Mr. KF Leung and Mr. Lam may also be entitled to such additional benefits as the Board shall in its absolute discretion deem appropriate. Each of their appointment as an executive Director will be subject to retirement by rotation and is eligible for re-election pursuant to the articles of association of the Company.

Under the service agreement dated 1 April 2020 and entered into between Speedy Engineering and Mr. Aaron Leung, Mr. Aaron Leung was appointed as a director of Speedy Engineering with an initial term of three (3) years commencing from 1 April 2020 and ending on 31 March 2023 and renewable automatically for successive terms of three years upon expiry of the term, unless terminated by not less than one month's notice in writing. Mr. Aaron Leung is entitled to receive annual remuneration of HK\$780,000, including housing allowance, during the term of his service agreement. Mr. Aaron Leung may also be entitled to such additional benefits as the board of directors of Speedy Engineering shall in its absolute discretion deem appropriate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years preceding 29 October 2020 (being the date of commencement of the Offer Period) and up to the Latest Practicable Date and was or might be material:

- (a) the placing agreement dated 7 August 2020 and entered into among the Company, CIS Securities and Plutus Securities Limited in relation to the Placing pursuant to which the Company received gross proceeds of HK\$20 million from the Placing; and
- (b) on 28 May 2020, Milestone Builder Engineering took out a life insurance policy for Mr. KF Leung with HSBC Life (International) Limited (“**HSBC Life**”) effective from 29 May 2020 and placed an initial single premium of US\$1,494,337 (equivalent to approximately HK\$11,655,829) thereunder with HSBC Life.

9. LITIGATION

As at the Latest Practicable Date, the Group has the following litigations and arbitration:

- (a) on 10 October 2017, Ms. He Mengli (“**Ms. He**”) commenced a personal injuries action against Cycle Links Construction Company Limited (“**Cycle Links**”), being the main contractor, and Milestone Builder Engineering, being the sub-contractor to Cycle Links, in relation to a claim for damages (the amount of which had not been stated but to be assessed by the court) for personal injuries sustained in an accident on 26 September 2016 arising in the course of Ms. He’s employment with Milestone Builder Engineering while working at a construction site in Hong Kong. Based on the information from Cycle Links, there had been no further progress on the said personal injury case at this stage;
- (b) on 14 January 2020, a statutory demand (the “**Statutory Demand**”) was served upon Milestone Builder Engineering by Yau Kwong Contracting Ltd (“**Yau Kwong**”), a nominated sub-contractor, in relation to payment disputes in the amount of HK\$4,987,048.68 (the “**Alleged Debt**”) arising out of a nominated subcontract for alteration and addition works in Hong Kong. On 24 January 2020, Milestone Builder Engineering applied for an injunction order restraining Yau Kwong from presenting any petition for the winding up of Milestone Builder Engineering based on the Statutory Demand. On 23 October 2020, the High Court of Hong Kong has refused the grant of injunction sought by Milestone Builder Engineering. Subsequently, on 30 October 2020, Yau Kwong issued to Milestone Builder Engineering a petition (the “**Petition**”) for the winding up of Milestone Builder Engineering. On 3 November 2020, the Company has fully settled the Alleged Debt together with interest. In connection with the Petition, the Company and Yau Kwong had taken out a consent summons on 9 November 2020 to apply for leave to withdraw the Petition. On 26 November 2020, the Company received the sealed court order from the High Court in which the High Court has ordered, among other things, that leave be granted for the Petitioner to withdraw the Petition;

- (c) on 14 September 2020, Mr. Chan Ki Cheong (“**Mr. Chan**”) served a writ of summons to China Harbour Engineering Company Limited (“**China Harbour**”), being the main contractor, and to Milestone Builder Engineering, being the sub-contractor to China Harbour, in relation to the claim for damages in the total amount of approximately HK\$2,940,000 for personal injury, loss and damages sustained in an accident on 25 October 2017 arising in the course of Mr. Chan’s employment with Milestone Builder Engineering while working at a construction site in Hong Kong. On 15 September 2020, Milestone Builder Engineering entered an acknowledgement of service of writ of summons. The above litigation is still in an early stage and the checklist review hearing will take place on 26 February 2021; and
- (d) on 31 July 2020, Spring Moon Investments Limited issued and served a notice of arbitration to Milestone Builder Engineering in respect of the dispute that relates to the amount of HK\$15,650,971.70 arising out of the main contract for alteration and addition works in Hong Kong. The above arbitration is still ongoing and is in an early stage.

As at the Latest Practicable Date, save for the above, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

10. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
29 April 2020	0.154
29 May 2020	0.12
30 June 2020	0.098
31 July 2020	0.099
31 August 2020	0.13
30 September 2020	0.238
14 October 2020 (Last Trading Day)	0.29
30 October 2020	0.275
30 November 2020	0.275
1 December 2020 (Latest Practicable Date)	0.275

During the Relevant Period:

- a. the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.29 per Share on 14 October 2020; and
- b. the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.095 per Share on 24 and 27 July 2020.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice which is contained or referred to in this Composite Document:

Name	Qualification
Alpha Financial Group Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Merdeka Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Alpha Financial and Merdeka Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Alpha Financial and Merdeka Corporate Finance did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2020, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. GENERAL

- (i) The registered office of the Company is situated at 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands. Its head office and principal place of business in Hong Kong is situated at 14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong.
- (ii) The registered office of the Independent Financial Adviser is situated at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong.
- (iii) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese translation in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the websites of the SFC (<http://www.sfc.hk>) and the Company (www.milestone.hk); and (ii) at the head office and principal place of business of the Company in Hong Kong at 14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays) 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 the earlier:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual report of the Company for each of the three years ended 31 March 2018, 31 March 2019 and 31 March 2020 and the interim results announcement of the Company for the six months ended 30 September 2020;
- (c) the letter from the Board as set out on pages 17 to 29 of this Composite Document;
- (d) the letter from the Independent Board Committee as set out on pages 30 to 31 of this Composite Document;

- (e) the letter from the Independent Financial Adviser as set out on pages 32 to 58 of this Composite Document;
- (f) the written consents referred to in the paragraph headed “11. Qualifications and Consents of Experts” in this appendix;
- (g) the service contracts referred to under the paragraphs headed “7. Service Contracts” in this appendix;
- (h) the material contracts referred to under the paragraph headed “8. Material Contracts” in this appendix; and
- (i) this Composite Document and the accompanying Form of Acceptance.

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 and the Vendors) and confirms, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS**Interests of the Offeror and parties acting in concert with it in the Company**

The Offeror is wholly and beneficially owned by Ms. Hou, who is also the sole director of the Offeror.

As at the Latest Practicable Date, the Offeror and parties acting in concert with (including the sole director of the Offeror) it owned or controlled an aggregate of 689,600,000 Shares, representing approximately 71.83% of the entire issued share capital of the Company. Save for the above, the Offeror and parties acting in concert with it did not have any other interest in any shares, warrants, options, derivatives of the Company or securities carrying conversion or subscription rights into Shares.

As at the Latest Practicable Date, save for 689,600,000 Shares, none of the Offeror and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS OF THE OFFEROR IN THE COMPANY

Save for the 95,000,000 Placing Shares subscribed by the Offeror under the Placing completed on 20 August 2020 at HK\$0.125 per Placing Share and the 594,600,000 Sale Shares acquired by the Offeror under the Sale and Purchase Agreement completed on 15 October 2020 at HK\$0.28125 per Sale Share, none of the Offeror or parties acting in concert with it has dealt in nor owned any other Share or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the six months period prior to the commencement of the offer period (as defined under the Takeovers Code) (i.e. the date of publication of the Joint Announcement).

As at the Latest Practicable Date:

- (i) save for the 95,000,000 Placing Shares and the Sale Shares held by the Offeror, none of the Offeror and parties acting in concert with it holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;

- (ii) there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with it;
- (iii) save for the subscription of the 95,000,000 Placing Shares and the purchase of the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror, nor any person acting in concert with it has dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (iv) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (v) save for the pledge of the Offer Shares and the Sale Shares and the Charge Over Account in respect of 689,600,000 Shares under the terms of the Loan Facility Agreement, no Shareholder had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with the Offeror;
- (vi) save for the pledge of the Offer Shares and the Sale Shares and the Charge Over Account in respect of 689,600,000 Shares under the terms of the Loan Facility Agreement, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror and CIS Finance, or between the Offeror or any person acting in concert with the Offeror, and any other person;
- (vii) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (viii) none of the Offeror and/or parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offer;
- (ix) there are no conditions to which the Offer is subject;
- (x) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror, nor any person acting in concert with it;
- (xi) save for the Loan Facility Agreement, the Share Charge, the Charge Over Account and the Debenture, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (xii) save for the security interest of CIS Finance as chargee in the Shares held under the Loan Facility Agreement, the Share Charge, the Charge Over Account, the Debenture and the Sale Shares Share Charge, the terms of which are set out below, CIS Finance

does not hold, own or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities.

The Share Charge

The Share Charge dated 15 October 2020 was executed by the Offeror in favour of CIS Finance in respect of the Shares to be acquired by the Offeror or parties acting in concert with it pursuant to the Offer (excluding the Sale Shares) by way of first fixed charge as a continuing security for the payment and discharge of the secured obligations of the Offeror under the Loan Facility Agreement in consideration of CIS Finance agreeing to make available to the Offeror the Loan Facility.

The Charge Over Account

The Charge Over Account dated 15 October 2020 was created by the Offeror in favour of CIS Finance in respect of all rights, title and interests in the Offeror's securities account in CIS Securities by way of first fixed charge as a continuing security for the payment and discharge of the secured obligations of the Offeror under the Loan Facility Agreement. As at the Latest Practicable Date, the existing credit balance in such securities account is 689,600,000 Shares.

The Debenture

The first ranking debenture dated 15 October 2020 was granted by the Offeror in favour of CIS Finance in respect of all of the Offeror's undertaking, property, assets, goodwill, rights and revenues as a continuing security for the payment and discharge of the secured obligations of the Offeror under the Loan Facility Agreement in consideration of CIS Finance agreeing to make available to the Offeror the Loan Facility.

The Sale Shares Share Charge

The Sale Shares Share Charge dated 15 October 2020 was executed by the Offeror in favour of CIS Finance in respect of the Sale Shares beneficially owned by the Offeror by way of first fixed charge as a continuing security for the payment and discharge of the secured obligations of the Offeror under the Loan Facility Agreement in consideration of CIS Finance agreeing to make available to the Offeror the Loan Facility;

- (xiii) save for the Sale and Purchase Agreement, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Offer;

- (xiv) there is no understanding, agreement or arrangement which constitutes a special deal under Rule 25 of the Takeovers Code between the Offeror or parties acting in concert with it on the one hand and the Vendors and parties acting in concert with any of them or any other Shareholders on the other hand;
- (xv) save for the total consideration for the Sale Shares, i.e. HK\$167,231,250, no other consideration, compensation or benefit in whatever form is paid or to be paid by the Offeror or any parties acting in concert with it to the Vendors or any parties acting in concert with any of them in connection with the sale and purchase of the Sale Shares;
- (xvi) there is no understanding, arrangement or agreement or special deal between any Shareholder and the Offeror and parties acting in concert with it; and
- (xvii) no benefit will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

4. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given their opinion and advice which are contained in this Composite Document:

Name	Qualification
Ample Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
CIS Securities Asset Management Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO
Grand Harbour Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Ample Capital, CIS Securities and Grand Harbour has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which it appears.

5. MISCELLANEOUS

As at the Latest Practicable Date,

- a. the sole beneficial owner and director of the Offeror is Ms. Hou. The principal members of the Offeror's concert group are the Offeror, Ms. Hou and CIS Finance.
- b. the registered office of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- c. the correspondence address of the Offeror is situated at Suite 15B, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong.
- d. the correspondence address of Ms. Hou, the sole director and sole shareholder of the Offeror, is G/F, 75 Kadoorie Avenue, Ho Man Tin, Kowloon, Hong Kong.
- e. the registered office of CIS Finance is situated at Room A, 21/F., Centre Point, 181–185 Gloucester Road, Wanchai, Hong Kong.
- f. the sole director of CIS Finance is Kwok Pak Kuen and the sole director of the holding company of CIS Finance is Mak Tsan Kwai.
- g. CIS Finance is owned by Lun Shunhua, Tan Shenning, Kan King Yee Karen, Chu Wai Leung and two other shareholders who are each holding less than 5% of the total issued shares in the holding company of CIS Finance.
- h. the main business address of Ample Capital is situated at Unit A, 14/F, Two Chinachem Plaza, 135 Des Voeux Road Central, Central, Hong Kong.
- i. the main business address of Grand Harbour is situated at 5th Floor, E168, No.166–168 Des Voeux Road Central, Hong Kong.
- j. the main business address of CIS Securities is situated 21/F Centre Point, 181–185 Gloucester Road, Wan Chai, Hong Kong.
- k. In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the websites of the SFC (www.sfc.hk) and the Company (www.milestone.hk); and (ii) at the head office and principal place of business of the Company in Hong Kong at 14/F, 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays) 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 the earlier:

- a. the memorandum and articles of association of the Offeror;
- b. the letter from Ample Capital and Grand Harbour, the text of which is set out on pages 8 to 16 of this Composite Document;
- c. the written consents as referred to in the section headed “4. Qualifications and Consents of Experts” in this Appendix IV; and
- d. the Sale and Purchase Agreement.