



Unit 1219, 12/F,
Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

10 July 2025

*To the Independent Board Committee and the Independent Shareholders of
King's Stone Holdings Group Limited*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SILVERBRICKS SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF JIANENG ERA INTERNATIONAL TRADING CO.,
LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF
KING'S STONE HOLDINGS GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, particulars of which are set out in the section headed "Letter from Silverbricks Securities" (the "**Letter from Silverbricks Securities**") contained in the composite document of the Company dated 10 July 2025 (the "**Composite Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Rule 3.5 Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer. On 20 March 2025 (after trading hours), the Vendor, the Vendor's Guarantor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell to the Offeror or its nominee, and the Offeror has agreed to acquire, the Sale Shares (representing 75% of the total issued share capital of the Company as at the Latest Practicable Date), at the Consideration upon the Closing which took place on 20 March 2025.

Immediately prior to the Closing, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following the Closing and as at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them are interested in 750,000,000 Shares, representing 75% of the total issued share capital of the Company. Therefore, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required 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/or parties acting in concert with it).

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the non-executive Directors, namely Mr. Cai Huihui, Ms. Liu Jingna, Mr. Ruan Dongdong, Mr. Wang Wenxing, Mr. An Wen Long and Ms. Florence Ng, has been established to make a recommendation to the Independent Shareholders in respect of the Offer as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

With the approval of the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not in the same group as the financial or other professional advisers (including stockbrokers) to the Company and to the Offeror, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. In the past two years preceding the Rule 3.5 Announcement, there was no engagement between the Company and its controlling shareholder and/or the Offeror and its ultimate beneficial owners and parties acting in concert with any of them and us. Apart from the normal advisory fee payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company, the Offeror, any of their respective substantial shareholders, directors or chief executives, their respective associates, or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in relation to the Offer.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, the annual results announcement of the Company for the year ended 31 March 2025 (the “**2025 AR**”) and other information contained in the Composite Document.

In addition, we have relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors, the management of the Group and/or the Offeror contained or referred to in the Composite Document, including but not limited to the Letter from the Board contained in the Composite Document (the “**Letter from the Board**”) and the Letter from Silverbricks Securities contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We understand that the Company will notify the Shareholders of any material changes during the Offer Period as soon as possible in accordance with the Takeovers Code. Independent Shareholders will be notified of any material changes of such information provided and our opinion, if any, as soon as possible throughout the Offer Period. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors, the management of the Group and/or the Offeror in the Composite Document, including but not limited to the Letter from the Board and the Letter from Silverbricks Securities contained therein, were reasonably made after due and careful enquiry and the expectations and intentions of the Company, the Directors, the management of the Group and/or the Offeror will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to form an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors, the management of the Group and/or the Offeror. The Company has confirmed to us that no material facts which would have material impact on formulating our opinion and recommendation to the Independent Board Committee have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Composite Document.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors, the management of the Group and/or the Offeror, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group, the Offeror, or any of their respective subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company and the Offeror.

As stated in the Composite Document, 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.

We have not considered and express no opinion on the tax and regulatory implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are dependent upon their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

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. Except for its inclusion in the Composite Document, this letter may not 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 REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Offer, we have taken into consideration the following principal reasons and factors:

(1) Information on the Group

(a) Historical financial performance

The Group was principally engaged in (i) provision of formwork work services to both the public and private sectors in the construction industry in Hong Kong and (ii) securities dealing and broking in Hong Kong. The Group disposed of its entire interest in its subsidiary, Yellow River Securities Limited, which was principally engaged in securities dealing and broking in December 2024 and has ceased to provide dealing and brokering service since then.

Set out below are the summarised financial information of the Group for the two years ended 31 March 2024 (“FY2024”) and 2025 (“FY2025”), as extracted from the 2025 AR, and further confirmed by the Company:

Operating performance

	FY2024 <i>HK\$'000</i> (Restated)	FY2025 <i>HK\$'000</i> (Note)
Continuing operations		
Revenue from construction services	452,263	173,388
– Private sector	425,448	81,048
– Public sector	26,815	92,340
Cost of services	(434,212)	(220,525)
Gross profit/(loss)	18,051	(47,137)
<i>Gross profit margin</i>	4.0%	N/A
Other income and gains	968	730
Administrative and other operating expenses	(35,505)	(48,833)
Other losses	(13,670)	(4,283)
Finance costs	(51)	(12)
Loss before income tax	(30,207)	(99,535)
Income tax credit	1,367	156
Loss for the year from continuing operations	(28,840)	(99,379)
Discontinued operations		
Loss for the year from discontinued operations	(3,252)	(2,694)
Loss for the year	(32,092)	(102,073)

Note:

The figures in respect of the Group's consolidated statement of profit and loss and other comprehensive income for FY2025 as set out in 2025 AR have been agreed by HLB Hodgson Impey Cheng Limited (the "HLB") to be the same amounts set out in the Group's audited consolidated financial statements for FY2025. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on 2025 AR.

For FY2025, the Group's revenue from its construction services, being its continuing operations, decreased by approximately HK\$278.9 million or 61.7% to approximately HK\$173.4 million from approximately HK\$452.3 million (restated) for FY2024. Gross loss of approximately HK\$47.1 million for FY2025 was recorded, compared to gross profit of approximately HK\$18.1 million (restated) for FY2024. As stated in the 2025 AR and further advised by the Company, the revenue decrease and gross loss was mainly attributable to (i) the intense market competition of the construction services segment which led to smaller number of successful tenders and lower value of contracts awarded; (ii) delay in certification of works performed for certain projects at Wong Chuk Hang and Kai Tak by relevant customers, which was believed by the Group to be due to their intention to delay the settlement of the outstanding amount of those projects; and (iii) additional subcontracting costs incurred due to increase in subcontracting works to deal with unexpected changes to the on-site arrangements of certain projects initiated by customers, whilst corresponding amount of charge to customers (i.e. Group's revenue) could not be recognised yet until completion of certification of works by relevant customers.

Loss for the year from continuing operations of approximately HK\$99.4 million for FY2025 was recorded, a substantial increase by approximately HK\$70.6 million from that of approximately HK\$28.8 million for FY2024, mainly due to (a) the gross loss for FY2025 compared to gross profit for FY2024 as mentioned above; and (b) the increase in administrative expenses by approximately HK\$13.3 million, mainly attributable to the one-off discretionary bonus of HK\$22.0 million awarded to staff for the year compared to HK\$13.6 million for FY2024. As advised by the Company, such discretionary bonus was awarded to the staff taking into account, among others, his outstanding performance relating to project completed in previous years under the challenging operating environment of the Group (in particular, his successful negotiation with clients for recovery of outstanding payment claims especially those related to variation orders in the Taikoo Place project so as to maintain positive cash flow of the Group, and his fast-tracking the construction schedules of the Wong Chuk Hang project, being a high-value project successfully secured by the Group at a reasonable tender price, to meet tight deadlines to ensure smooth project execution and substantial completion of the project during FY2024 and FY2025), the importance of his role in the daily operation of the Group's principal business. Such staff joined the Group in March 1998 and has become a project director (the "**Project Director**") of Hop Fat Yuk Ying Engineering Limited (the "**Subsidiary**"), an indirect wholly-owned subsidiary of the Company which is a registered subcontractor in Hong Kong providing formwork work services, since April 2010. He is responsible for overseeing operations and the technical aspects of the formwork works projects undertaken by the Subsidiary. The Project Director has over 25 years of experience in the construction industry specialising in providing formwork works in Hong Kong. For FY2023, the Project Director was awarded staff bonus of HK\$5 million for his contribution to the Group's construction services business. As advised by the Company, the Project Director is not acting in concert or a representative/nominee or has any relationship, business, financial or otherwise, with the Vendor, its ultimate beneficial owner and parties acting in concert with any of them.

As advised by the Company, the Group has no arithmetic formula to determine the amount of discretionary bonus awarded to staff. The Board will consider whether a bonus will be awarded, to whom and the amount, primarily determined based on a number of factors, including but not limited to, a staff's contribution to the Group's business in previous years, the operating environment of the Group, the importance of his role in the daily operation of the Group's principal business, the financial performance of the Group taking into account the operating environment of the Group. Such decision is made and approved by the Board after publication of annual or interim financial results of the Group generally.

As stated in the 2025 AR and further advised by the Company, the Group entered into a sale and purchase agreement with independent third parties in December 2024 to dispose of the entire equity interests of Titan Hwaks Limited and its subsidiary, and has ceased its dealing and brokerage services since then. Loss for the year from such discontinued operations of approximately HK\$2.7 million was recorded by the Group for FY2025, compared to that of approximately HK\$3.3 million for FY2024. Taking into account the loss from both the continuing operations and discontinued operations, loss for the year of approximately HK\$102.1 million was recorded for FY2025, compared to that of HK\$32.1 million for FY2024.

Financial position

	As at 31 March	
	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 1)</i>
Non-current assets	10,353	249
Property, plant and equipment	8,510	196
Intangible assets	1,544	—
Prepayments, other receivables and other assets	94	53
Statutory deposits	205	—
Current assets	255,012	146,145
Contract assets	94,440	86,814
Trade receivables	26,536	5,920
Tax recoverable	1,482	1,976
Amount due from the ultimate holding company	390	—
Prepayments, other receivables and other assets	9,310	41,762
Trust bank balances held on behalf of customers	24,715	—
Cash and cash equivalents	98,139	9,673
Current liabilities	81,235	40,798
Trade payables	44,059	25,818
Amount due to immediate holding company	18,468	—
Other payables and accruals	17,811	14,980
Lease liabilities	897	—
Non-current liabilities	287	32
Deferred tax liabilities	188	32
Lease liabilities	99	—
Net current assets	173,777	105,347
Net assets	183,843	105,564
Gearing ratio (<i>Note 2</i>)	Nil	Nil

Notes:

1. The figures in respect of the Group's consolidated statement of financial position for FY2025 as set out in 2025 AR have been agreed by HLB to be the same amounts set out in the Group's audited consolidated financial statements for FY2025. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on 2025 AR.
2. The gearing ratio is calculated based on total bank and other borrowings divided by total equity.

As shown in the table above, the Group recorded net assets of approximately HK\$105.6 million as at 31 March 2025, representing a decrease by approximately HK\$78.3 million or 42.6% from approximately HK\$183.8 million as at 31 March 2024. As shown in the table above and advised by the Company, such decrease was mainly due to (i) decrease in trust bank balances held on behalf of customers, being money deposited by clients and held by the Group in the course of the conduct of the regulated activities of securities trading business, by approximately HK\$24.7 million due to money withdrawal by relevant clients according to their instructions; and (ii) decrease in cash and cash equivalents by approximately HK\$88.5 million to approximately HK\$9.7 million as at 31 March 2025 from approximately HK\$98.1 million as at 31 March 2024, mainly attributable to (a) payment of the aforesaid discretionary bonus awarded to staff of HK\$22.0 million; (b) cash used in prepayment for purchases of raw materials for the construction needs after 31 March 2025 of three ongoing projects at Central and Shatin and one new project at Causeway Bay which commenced in the first quarter of 2025, and leases of tools due to the gradual change in its business operation model from the use of mainly owned tools in FY2024 to leased tools in its construction services in FY2025, which resulted in the increase in the prepayments, other receivables and other assets by approximately HK\$32.5 million from 31 March 2024 to 31 March 2025; (c) repayment of amount due to immediately holding company of the Company, Central Force Premium Group Limited, being advances from it for financing the daily operation needs of the Group, of approximately HK\$18.5 million; and (d) cash used in other daily operation needs but payment for construction works not yet received from customers, in particular, there was delay in certification of projects on hand by customers, mainly Wong Chuk Hang and Kai Tak projects as mentioned above, causing delay in revenue recognition and payment receiving from customers of those projects by the Group but some of the relevant cost was incurred and settled by the Group.

As stated in the annual report of the Company for FY2024, the contract assets are unbilled revenue for works completed and pending certification by customers, representing the Group's right to receive consideration which is conditional on obtaining of certification. Those assets will be transferred to trade receivables when the aforesaid right becomes unconditional, which is typically at the time the Group obtains certification of relevant completed construction works from the customers. The contract assets decreased from approximately HK\$94.4 million as at 31 March 2024 to approximately HK\$86.8 million as at 31 March 2025 as certification of certain completed works has been obtained and thus relevant amount of contract assets has been transferred to trade receivables during the year (and a portion of which was settled by customers as at 31 March 2025).

We have reviewed and noted from the management accounts of the Group for April 2025 and were confirmed by the Company that there was no material change in the Group's financial position as at 30 April 2025 compared to that as at 31 March 2025, caused by incidents other than those in the ordinary course of business of the Group which should be brought to the attention of the Shareholders.

(b) Outlook of the Group

As stated in the interim report of the Company for the six months ended 30 September 2024 (the “2024/25 IR”), the Group’s tendering results were not satisfactory in the first half of FY2025. The intense market competition led to a smaller number of successful tenders and quotations and lower value of contracts awarded to the Group, resulting in revenue decrease and gross loss of the Group for the first half of FY2025 compared to the first half of FY2024.

As stated in the 2025 AR, the Board believes that smart building and construction digitalisation will continue to be prominent trends in the industry. The Group’s existing business, which plays a vital role in the construction process, will actively adapt to market changes and technological advancements. The Board remains cautiously optimistic about the outlook for the Hong Kong construction industry.

Formwork in construction is essentially the mould or temporary framework into which concrete is poured and allowed to harden, defining the final shape of the structure. As advised by the Directors, formwork is an indispensable element in housing construction. According to the 2025-26 Budget Speech¹ delivered by the Financial Secretary of the Hong Kong in February 2025, the total public housing supply in Hong Kong will reach 190,000 units in the coming 5 years and over 17,000 private residential units are expected to be completed annually. In addition, according to the construction expenditure forecast for public and private sectors for the ten years from 2022/23 to 2031/32 updated in July 2023 by the Construction Industry Council² (the “CIC”) in Hong Kong, the construction expenditure in Hong Kong is forecasted to reach HK\$295 million to HK\$375 million up to 2031/32. These industry figures support the expected increase in housing construction and thus potential demand for formwork work and related construction services in Hong Kong in the near future, and indicate business opportunities for the Group as one of the formwork work and related construction services providers in Hong Kong.

We noted from the annual/interim reports published by other listed companies in Hong Kong which are principally engaged in similar business with the Group that they are facing similar pressure with that faced by the Group, such as intense market competition which has driven down contract prices, decrease in number of contracts, unexpected on-site expenses and/or delays in project payments. Notwithstanding the outlook of the construction industry might be positive in the near future in light of the forecasted industry demand mentioned above, the outlook of the Group is considered challenging and uncertain as it depends on, among others, whether the Group can grasp the business opportunities and win tenders of formwork and related construction service projects with reasonable profit margin rolled out in the market including but not limited to those mentioned in the paragraph above, given the revenue decrease and gross loss recorded by the Group for FY2025, compared to FY2024, was mainly attributable to, among others, intense market competition of the construction services segment which led to smaller number of successful tenders and lower value of contracts awarded as stated in the 2025 AR and advised by the Company.

¹ https://www.budget.gov.hk/2025/eng/pdf/Budget25-26_Eng_Leaflet.pdf

² <https://www.cic.hk/eng/>

As further advised by the Company, due to the poor market condition of the brokerage business and change in business strategy of the Group, the Group disposed of its entire interest in Yellow River Securities Limited, a subsidiary engaged in brokerage business, in December 2024 and has ceased to provide dealing and brokerage services since then and reallocated its internal resources to the construction services business and/or any other business opportunity of the Group.

(2) Background of the Offeror and its intention on the Group

As stated in the Letter from Silverbricks Securities, the Offeror was incorporated in Hong Kong with limited liability and is engaged in the provision of import and export trading, wholesale and sales of electronic products, sales of electronic components and agent of selling memory chips. The Offeror is directly owned as to 98% and 2% by Ms. Zeng and Ms. Tang, respectively. Ms. Zeng has several years of experience in procurement of electronic parts and components in the PRC. The sole director of the Offeror is Ms. Tang, who has several years of experience in sales management in the new energy sector across the PRC for companies engaging in research, production, and sales of lithium batteries.

According to the analysis released by the Hong Kong Trade Development Council, a statutory body established in 1966 to promote, assist and develop Hong Kong's trade, with 51 offices globally, including 13 in Mainland China, on 29 May 2025, based on its survey, the global electronics sector is expected to continue to grow in 2025. And its survey indicated that many electronics traders were broadly positive with regard to their future market prospects, expecting that their overall sales levels would rise or, at least, remain the same over both the short (six to 12 months) and medium terms (12-24 months)³. Notwithstanding the outlook of the electronic components industry which seems positive and it is stated in the Letter from Silverbricks Securities that the Offeror intends to expand the existing businesses of the Group through, among others, exploring business opportunities in electronic components market, such preliminary intention of development is considered uncertain for the Group given such industry is totally different from that of the existing principal business of the Group.

As stated in the Letter from Silverbricks Securities, all the existing Directors will resign with effect from the earliest time permitted under the Listing Rules and Rule 7 of the Takeovers Code. New Directors to the Board will be nominated immediately after the publication of the Composite Document in compliance with Rule 26.4 of the Takeovers Code. According to the biographies of the proposed new Directors as stated in the Letter from Silverbricks Securities, all the proposed new Directors do not have management experience directly related to the existing principal business of the Group.

Long-term business plans and strategies for the future business development of the Group will be formulated by the Offeror after its review of the existing principal businesses, operations and financial position, investments, proposed investments of the Group. Further, subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/ or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. The Offeror has no intention to privatise the Company and intends to maintain the listing of the Shares on the Stock Exchange.

³ <https://research.hktdc.com/en/article/MjAyMTAwNTc0Mw>

The Offeror will, depending on the business operations and development of the Group in the future, constantly review the employee structure of the Group so as to meet the needs of the Group from time to time. As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (who are not Directors); or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

Independent Shareholders should be aware that notwithstanding the Offeror has no intention to discontinue the employment of any employees of the Group (other than existing Directors), the Group's business will be under the management of a new Board and subject to the long-term business plans and strategies to be formulated by the Offeror. None of the proposed new Directors and the Offeror seems to have management experience directly related to the construction services business of the Group. Taking into account the above, the outlook of the Group is considered uncertain.

(3) The Offer

Principal terms of the Offer

Silverbricks Securities, for and on behalf of the Offeror, is making the Offer at the Offer Price of HK\$0.08 in cash for each Offer Share. The Offer Price is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement. The Offer is unconditional in all respects when made and extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

As at the Latest Practicable Date, there were 1,000,000,000 Shares in issue and the Company does not have any outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and has not entered into any agreement for the issue of such Shares, options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Comparison of value

The Offer Price of HK\$0.08 per Offer Share represents:

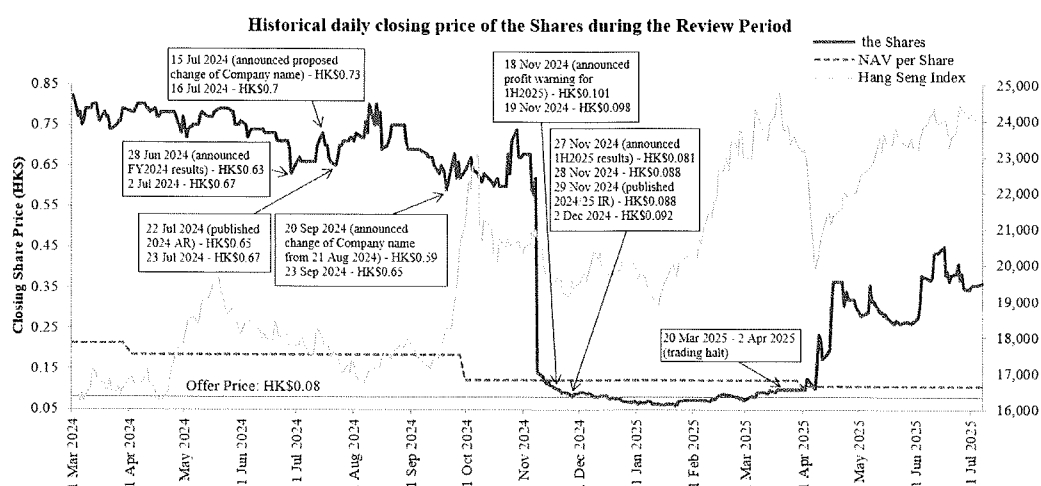
- (i) a discount of approximately 77.46% to the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 18.37% to the closing price of HK\$0.098 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.79% to the average closing price of HK\$0.0950 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

- (iv) a discount of approximately 13.33% to the average closing price of approximately HK\$0.0923 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 4.65% to the average closing price of approximately HK\$0.0839 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 56.47% to the audited consolidated net asset value of the Group (“NAV”) of approximately HK\$0.1838 per Share as at 31 March 2024 calculated based on the audited net asset of the Group as at 31 March 2024 of approximately HK\$183,843,000 and 1,000,000,000 Shares in issue as at the Latest Practicable Date;
- (vii) a discount of approximately 34.05% to the unaudited consolidated NAV of approximately HK\$0.1213 per Share as at 30 September 2024 calculated based on the unaudited net asset of the Group as at 30 September 2024 of approximately HK\$121,304,000 and 1,000,000,000 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 24.24% to the consolidated NAV of approximately HK\$0.1056 per Share as at 31 March 2025 calculated based on the net asset of the Group as at 31 March 2025 of approximately HK\$105,564,000 and 1,000,000,000 Shares in issue as at the Latest Practicable Date.

To assess the fairness and reasonableness of the Offer Price, we have analysed the Offer Price with reference to (i) the historical price performance and NAV of the Shares; (ii) the historical trading liquidity of the Shares; and (iii) the comparison with market comparables.

(i) *Historical price performance and NAV of the Shares*

The chart below depicts the closing price level of the Shares as quoted on the Stock Exchange from 1 March 2024 (being around 1-year period immediately preceding the Last Trading Day) and up to and including the Latest Practicable Date (the “Review Period”), and the comparison of the Offer Price with Share price performance and NAV per Share:



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

Note: The NAV per Share is calculated by dividing the NAV as extracted from the then latest published financial reports of the Company by the total number of issued Shares as at the relevant date based on the monthly returns of the Company published on the website of the Stock Exchange.

We consider the length of the Review Period to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares.

As shown in the chart above, the closing price of the Shares moved between the range of HK\$0.58 to HK\$0.82 from 1 March 2024 to 7 November 2024, during which the results announcement and report for FY2024 was announced on 28 June 2024 and 22 July 2024 respectively, and the proposed and formal change of Company name was announced on 15 July 2024 and 20 September 2024 respectively.

The closing price of the Shares dropped substantially to HK\$0.14 on 8 November 2024 from HK\$0.62 on 7 November 2024 despite no announcement was made by the Company. As advised by the Company, they are not aware of the reason of such drop. From mid-September 2024 to mid-March 2025, contrary to the raising trend of the Hang Seng Index, the closing price of the Shares declined gradually, fell below HK\$0.1 after profit warning for the results of 1H2025 announced by the Company on 18 November 2024, and reached HK\$0.098 two trading days before the trading halt of the Shares on 20 March 2025.

Following the resumption of trading of the Shares on 3 April 2025, the Shares went upward and closed at HK\$0.126 per Share as compared to that of HK\$0.098 per Share on the Last Trading Day. The closing price of the Shares then moved between HK\$0.102 and HK\$0.45 (around 1.3 to 5.6 times higher than the Offer Price) and closed at HK\$0.355 on the Latest Practicable Date.

As advised by the Company, formwork work services providers, including the Group, are asset heavy companies generally. The Group's assets mainly include plant and equipments which the Group used to provide construction services, contract assets (being unbilled revenue for construction works pending for certification by customers and retention receivables), trade receivables (the amount transferred from contracts assets mainly after the certification on construction work from customer is obtained) and cash and cash equivalents generated from business. Taking into account the above, we consider that comparison of the NAV per Share with the Offer Price to assess the fairness and reasonableness of the Offer Price is meaningful, and any discount to NAV per Share as represented by the Offer Price is considered not fair and not reasonable.

Taking into account (i) the closing prices of the Shares had been staying well above the Offer Price after resumption of trading after publication of the Rule 3.5 Announcement; (ii) the Offer Price represented a discount to the closing prices of the Shares of approximately 18.37% to 82.22% during the Offer Period from the date of the Rule 3.5 Announcement (i.e. 2 April 2025) up to the Latest Practicable Date; (iii) the Offer Price represented a discount to the audited/unaudited NAV per Share as at 31 March 2024, 30 September 2024 and 31 March 2025 respectively, the Offer Price is unattractive, not fair and not reasonable.

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

(ii) *Historical trading liquidity of the Shares*

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

Month/period	Total trading volume for the month/period	Number of trading days	Average daily trading volume (Note 1)	Average daily trading volume over total	
				number of	number of
				issued Shares (Note 2)	issued Shares held by the public Shareholders (Note 3)
	Shares	days	Shares	%	%
2024					
March	1,420,000	20	71,000	0.01	0.03
April	3,615,000	20	180,750	0.02	0.07
May	2,275,000	21	108,333	0.01	0.04
June	2,170,000	19	114,211	0.01	0.05
July	20,720,000	22	941,818	0.09	0.38
August	4,265,000	22	193,864	0.02	0.08
September	1,580,000	19	83,158	0.01	0.03
October	18,330,000	21	872,857	0.09	0.35
November	360,488,600	21	17,166,124	1.72	6.87
December	18,460,000	20	923,000	0.09	0.37
2025					
January	9,900,000	19	521,053	0.05	0.21
February	4,915,000	20	245,750	0.02	0.10
March	7,470,000	13	574,615	0.06	0.23
April	302,232,280	17	17,778,369	1.78	7.11
May	32,130,000	20	1,606,500	0.16	0.64
June	90,865,000	21	4,326,905	0.43	1.73
July (up to the Latest Practicable Date)	2,855,000	5	571,000	0.06	0.23

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

Notes:

1. Calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
2. Calculated by dividing the average daily trading volumes of the Shares by the total issued Shares at the end of each month or as at the Latest Practicable Date, where applicable.
3. Calculated by dividing the average daily trading volumes of the Shares by the total issued Shares held by the public Shareholders at the end of each month or as at the Latest Practicable Date, where applicable.

During the Review Period, the average daily trading volume ranged from approximately 71,000 Shares (in March 2024) to approximately 17,778,369 Shares (in April 2025), representing approximately 0.01% to 1.78% of the total number of issued Shares, and approximately 0.03% to 7.11% of the total number of issued Shares held by the public Shareholders, as at the end of the respective month/period.

The total trading volume of the Shares in November 2024 reached over 360 million Shares, representing approximately 1.72% of the total number of issued Shares. We noted from the trading volume released in the website of the Stock Exchange that the daily trading volume of the Shares reached 19.2 million to 162.0 million from 8 to 12 November 2024, much higher than the rest of the trading days in that month. We noted that no specific news was announced by the Company on those days, and further understood from the Company that it is not aware of the reason of such sudden increase in the daily trading volume.

The Independent Shareholders may encounter difficulties in selling a significant number of Shares in the open market at a fixed cash price within a short period of time without disturbing the market price. Nevertheless, it is noted that the trading volume of the Shares amounted to over 180 million shares, representing over 72% of the number of Shares held by the Shareholders other than the Offeror and parties acting in concert with it, in only 7 trading days from the date on which trading of the Shares resumed (i.e. 3 April 2025) to 14 April 2025. Further, the closing price of the Shares in those 7 trading days stayed above the Offer Price, and moved upward and reached HK\$0.233 on 9 April 2025 from HK\$0.126 on 3 April 2025 regardless of the increase in the number of Shares sold in the market in those days, and it surged to HK\$0.365 (i.e. around 4.5 times higher than the Offer Price) on 17 and 22 April 2025, indicating the trading price of the Shares may not definitely move downwards with the increase in the number of Shares sold in the market. Hence, instead of accepting the Offer, the Shareholders who intend to realise their investment in the Shares are recommended to sell their Shares in the market if net proceeds from such sale of Shares would exceed the net amount receivable under the Offer.

(iii) Peer comparison

We noted that the trading multiples analysis of price to earnings ratio (“**P/E Ratio**”) and price to book ratio (“**P/B Ratio**”) of comparable companies are commonly adopted approaches in assessing an offer price. Given net loss was recorded by the Company for FY2024, the P/E Ratio analysis may not yield any conclusive meaning and thus was not adopted. As an alternative, we have adopted price-to-sales ratio (“**P/S Ratio**”). Revenue is the top-level parameter of a company’s financial performance. We consider that P/S Ratio analysis is suitable as it reflects how the market values the revenue generating ability of the Group and the Comparable Companies of which the principal business are similar to each other.

The assets of the Group attributable to construction services segment for revenue generation accounted for over 90% of the total assets of the Company as at 30 September 2024. Those assets mainly included properties, plant and equipments, contract assets, trade receivables, prepayments for purchases of raw materials attributable to the Group’s construction services segment and cash and cash equivalents. We have also reviewed the latest published financial statements of the Comparable Companies (as defined below) and noted that the composition of their assets were similar to that of the Group, mainly comprised properties, plant and equipments, contract assets, trade receivables etc. relating to their construction services segments. Hence, we consider that the P/B Ratio analysis is also suitable as it reflects how the market values those revenue generating assets of the Group and the Comparable Companies, of which a majority portion were attributable to construction services segment. We therefore adopted the P/S Ratio and P/B Ratio analysis as shown in the table below in assessing the fairness and reasonableness of the Offer Price.

We have identified, to the best of our knowledge and effort, an exhaustive list of three companies (the “**Comparable Companies**”) based on the following criteria: (i) it is a small-cap issuer listed on the Stock Exchange with a proposed market capitalisation at the time of listing of equal to or less than HK\$700 million as defined in the consultation conclusions on “Main Board Profit Requirement” published by the Stock Exchange in May 2021⁴, taking into account the Company is also a small-cap issuer in terms of market capitalisation based on the aforesaid definition; and (ii) it is principally engaged in similar business with the Group, being provision of formwork work services in Hong Kong, and over 90% revenue of which were generated from such business in Hong Kong in the latest preceding financial year.

Stock Code	Company	Market capitalisation as at the Latest Practicable Date <i>HKS'000</i> <i>(Note 1)</i>	Total revenue (% of total revenue generated from construction services segment) <i>HKS'000</i> <i>(Note 2)</i>	Total assets (% of total assets attributable to construction services segment) <i>HKS'000</i> <i>(Note 3)</i>	Net asset value <i>HKS'000</i> <i>(Note 2)</i>	P/S Ratio <i>Times</i> <i>(Note 3)</i>	P/B Ratio <i>Times</i> <i>(Note 4)</i>
1429	Skymission Group Holdings Limited	76,800	402,912 (100%)	345,068 (100%) <i>(Note 6)</i>	252,963	0.19	0.30
3789	Royal Deluxe Holdings Limited	63,600	730,955 (100%)	467,238 (100%) <i>(Note 6)</i>	310,581	0.09	0.56
1630	Kin Shing Holdings Limited	60,000	878,762 (100%)	417,597 (57.0%) <i>(Note 5)</i>	112,841	0.07	0.53
			Maximum			0.19	0.53
			Minimum			0.07	0.20
			Average			0.12	0.34
			Median			0.09	0.30
1943	The Company	80,000	173,388 (100%) <i>(Note 7)</i>	146,394 (100%)	105,564	0.46	0.76

Source: Website of the Stock Exchange (www.hkex.com.hk) and the respective annual results announcement of the Company and the Comparable Companies

⁴ [https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/November-2020-MB-Profit-Requirement/Conclusions-\(May-2021\)/cp202011cc.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/November-2020-MB-Profit-Requirement/Conclusions-(May-2021)/cp202011cc.pdf)

Notes:

1. Market capitalisation of the Comparable Companies are calculated based on their respective closing price as quoted on the Stock Exchange and number of issued shares based on their latest published information as at the Latest Practicable Date. Market capitalisation of the Company, as represented by the Offer Price, is calculated based on the Offer Price of HK\$0.08 per Offer Share and 1,000,000,000 Shares in issue as at the Latest Practicable Date.
2. Figures extracted from the latest published results announcement of the Comparable Companies.
3. P/S Ratio of the Comparable Companies are calculated by dividing their respective market capitalisation by their respective consolidated revenue, as extracted from their latest published annual financial statements. Implied P/S Ratio of the Company is calculated by dividing its market capitalisation, as represented by the Offer Price, by its consolidated revenue for FY2025.
4. P/B Ratio of the Comparable Companies are calculated by dividing their respective market capitalisation by their respective consolidated equity attributable to the ordinary shareholders, as extracted from their latest published financial statements. Implied P/B Ratio of the Company is calculated by dividing its market capitalisation, as represented by the Offer Price, by its consolidated equity attributable to the Shareholders as at 31 March 2025.
5. Calculated based on the amount of segment assets attributable to construction services segment as stated in the latest published results announcement of the Comparable Company.
6. It is stated in the latest published results announcement or report of the Comparable Company that it had only one operating segment (i.e. construction services related) and no breakdown of segment assets was disclosed. Hence, all its assets are regarded as attributable to construction services segment.
7. This represents the total revenue from continuing operations of the Company for FY2025.

The P/S Ratio of the Comparable Companies ranged from approximately 0.07 times to 0.19 times, with an average and median of approximately 0.12 times and 0.09 times respectively. Based on their respective latest published annual financial statements, the revenue recorded by the Comparable Companies ranged from approximately HK402.9 million to approximately HK\$878.8 million. The implied P/S Ratio of the Company, as represented by the Offer Price, is approximately 0.46 times, which is higher than the highest P/S Ratio among the Comparable Companies. This is considered indicating that the Offeror is willing to pay more (in terms of multiple to the amount of sales) to invest in the revenue generating ability of the Group than that paid by investors to the Comparable Companies, thus the Offer Price is not unfavourable based on this comparison.

The P/B Ratio of the Comparable Companies ranged from approximately 0.20 times to 0.53 times, with an average and median of approximately 0.34 times and 0.30 times respectively. Based on their respective latest published financial statements, the equity attributable to owners recorded by the Comparable Companies ranged from approximately HK\$112.8 million to approximately HK\$310.6 million. The implied P/B Ratio of the Company, as represented by the Offer Price, is approximately 0.76 times, which is higher than the highest P/B Ratio among the Comparable Companies. This is considered indicating that the Offeror is willing to pay more (in terms of multiple to the amount of net asset value) to invest in the Group's net assets than that paid by investors to the Comparable Companies, thus the Offer Price is not unfavourable based on this comparison.

RECOMMENDATION

Notwithstanding the implied P/S Ratio and P/B Ratio of the Company as represented by the Offer Price are higher than the highest P/S Ratio and P/B Ratio among the Comparable Companies respectively, indicating the Offer Price (in terms of a multiple to the amount of sales or net asset value) is not unfavourable to the Shareholders as compared to the trading price of the Comparable Companies, having considered that,

- (a) the Offer Price is unattractive, given it represents a discount to the closing price of the Shares on the Latest Practicable Date, the Last Trading Day, and the five-day, 10-day and 30-day average closing price of the Shares immediately prior to and including the Last Trading Day respectively; and
- (b) the comparison of the Offer Price with NAV per Share is considered meaningful given the Group is an asset heavy company and the Offer Price represents a discount to NAV per Share as at 31 March 2024, 30 September 2024 and 31 March 2025,

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

On the other hand, having considered

- (a) the declined financial performance of the Group for FY2025 compared to FY2024;
- (b) notwithstanding the outlook of the construction industry might be positive in the near future in light of the expected increase in housing construction, and thus potential demand for formwork work and related construction services, as supported by the budgeted housing supply in Hong Kong according to the Financial Secretary of Hong Kong in February 2025 and the forecasted construction expenditure in Hong Kong in the ten years up to 2031/32 released by the CIC, whether the Group can grasp the business opportunities and win tenders of formwork and related construction services projects with reasonable profit margin rolled out in the market is uncertain, given the revenue decrease and gross loss recorded by the Group for FY2025, compared to FY2024, was mainly attributable to, among others, intense market competition of the construction services segment which led to smaller number of successful tenders and lower value of contracts awarded;
- (c) the uncertainty of the Company's outlook under management by the new Board and the long-term business plans and strategies to be formulated by the Offeror, given none of the proposed new Directors and the Offeror have management experience directly related to the construction services business of the Group; and

- (d) notwithstanding the Independent Shareholders may encounter difficulties in selling a significant number of Shares in the open market at a fixed cash price within a short period of time without disturbing the market price, given (i) it is noted that the trading volume of the Shares amounted to over 180 million shares, representing over 72% of the number of Shares held by the Shareholders other than the Offeror and parties acting in concert with it, in only 7 trading days from the date on which trading of the Shares resumed (i.e. 3 April 2025) to 11 April 2025 and (ii) the closing price of the Shares in those 7 trading days stayed above the Offer Price regardless of the increase in the number of Shares sold in the market, and it surged to HK\$0.365 on 17 and 22 April 2025 (i.e. around 4.5 times higher than the Offer Price), indicating the trading price of the Shares may not definitely move downwards with the increase in the number of Shares sold in the market,

the Independent Shareholders are recommended to sell their Shares in the market at a price higher than the Offer Price, instead of accepting the Offer.

Taking into account the factors above, we recommend the Independent Board Committee to recommend, and we recommend, the Independent Shareholders not to accept the Offer.

Independent Shareholders are advised to consider all the factors above before deciding whether to accept the Offer, in particular, the trading price of the Shares, and beware of the potential difficulties they may encounter in disposing of their investments in the Shares in the market at a fixed price within a short period. They should seek advice from their own professional advisers prior to making any investment decision.

Yours faithfully,
For and on behalf of
Capital 9 Limited


Chan Man Yee
Director

Chan Man Yee is a licensed person and responsible officer of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 15 years of experience in the corporate finance industry.