MESSIS 大有融資

9 February 2018

To: The Independent Board Committee of PPS International (Holdings) Limited

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY AMASSE CAPITAL LIMITED FOR AND ON BEHALF OF MR. YU SHAOHENG TO ACQUIRE ALL THE ISSUED SHARES OF PPS INTERNATIONAL (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MR. YU SHAOHENG AND PARTIES ACTING IN CONCERT WITH HIM)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 9 February 2018, 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 otherwise requires.

As mentioned in the Joint Announcement, the Offeror (as purchaser) entered into the Bought and Sold Notes to acquire an aggregate of 96,245,250 Shares, representing approximately 35.65% of the entire issued share capital of the Company as at the date of the Bought and Sold Notes, from the Vendors (as vendor), for an aggregate consideration of HK$34,167,063.75, equivalent to HK$0.355 per Share. The completion of the Bought and Sold Notes took place on 20 December 2017.

Immediately prior to the completion of the Bought and Sold Notes, the Offeror and his Concert Parties owned in an aggregate of 97,221,150 Shares, representing approximately 36.01% of the entire issued share capital of the Company immediately prior to the completion of the Bought and Sold Notes, and the Convertible Bonds. Immediately after completion of the Bought and Sold Notes and as at the Latest Practicable Date, the Offeror and his Concert Parties owned in an aggregate of 150,676,650 Shares, representing approximately 55.81% of the entire issued share capital of the Company, and the Convertible Bonds. Accordingly, the Offeror and his

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Concert Parties are required to make a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and his Concert Parties) pursuant to Rule 26.1 of the Takeovers Code.

As at the Latest Practicable Date, the Company had 270,000,000 Shares in issue and save for the Convertible Bonds, the Company did not have any outstanding options, warrants, derivatives or other securities that are convertible or exchangeable into the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

We, Messis Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in relation to the Offer. Our appointment 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 terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, the Vendors or the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer. In the last two years, we have not acted as the financial advisor nor the independent financial adviser to the Company, the Independent Board Committee and the Independent Shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Vendors or the Offeror, their respective controlling shareholders or any other party acting or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules and Rule 2 of the Takeovers Code to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provide to us by the Directors and the management of the Company. We have reviewed, *inter* *alia*, the Composite Document, the annual reports of the Company for the year ended 30 June 2017 ("**Annual Report 2017**") and the year ended 30 June 2016 ("**Annual Report 2016**"), the interim report of the Company for the six months ended 31 December 2017 ("**Interim Report 2018**"). We have also (i) conducted verbal discussions with the management of the Company regarding the businesses and future outlook of the Group; and (ii) researched and considered market data which we deemed relevant in arriving at our recommendation. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the 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 the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and his Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by 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 contained in the Composite Document misleading.

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, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group and outlook

(a) Historical financial information of the Group

The Group principally engages in the provision of environmental and cleaning services in Hong Kong and the PRC and the provision of money lending services. Set out below are the financial results of the Group extracted from the Interim Report 2018, the Annual Report 2017 and the Annual Report 2016:

Table 1: Consolidated income statement of the Group (from continuing operations as extracted from the consolidated statement of profit or loss from the Annual Report 2017 and the Annual Report 2016 and the unaudited condensed consolidated statement of profit or loss from the Interim Report 2018)

	For the six months ended 31 December		For the year ended 30 June		
	2017	2016	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited) (re-presented)	(audited)	(audited) (re-presented)	(audited)
Revenue	153,412	130,884	270,224	256,521	202,192
Gross profit	23,329	15,320	30,122	19,703	23,704
(Loss) profit for the period/year	(8,466)	367	(15,606)	(46,486)	(27,249)

Table 2: Segment revenue of the Group (including discontinued operations)

	For the six months ended 31 December		For the year ended 30 June		
	2017	**2016**	**2017**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Environmental and cleaning services	144,947	130,734	266,396	256,521	200,604
Money lending	8,465	150	3,828	–	–
Auto beauty services (discontinued)	–	3,122	3,122	8,339	1,588
Property and carpark management services (discontinued)	–	7,006	8,658	4,578	–
	153,412	141,012	282,004	269,438	202,192

Table 3: Consolidated statement of financial position of the Group

	As at 31 December	As at 30 June	
	2017	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Non-current assets	20,841	24,452	60,219
Current assets	240,080	186,758	140,663
Non-current liabilities	10,344	10,612	10,685
Current liabilities	100,856	49,173	71,774
Net current assets	139,224	137,585	68,889
Net assets attributable to owners of the Company	149,764	151,502	118,683

*Financial year ended 30 June 2016 ("**FY2016**") versus financial year ended 30 June 2015 ("**FY2015**")*

According to the Annual Report 2016, the principal source of revenue of the Group was derived from environmental and cleaning services which amounted to approximately HK$256.5 million.

As set out in the Table 1 above, the revenue of the Group increased from approximately HK$202.2 million for FY2015 to approximately HK$256.5 million for FY2016, representing an increase of approximately 26.9%. As mentioned in the Annual Report 2016, the increase in revenue in FY2016 was mainly as a result of additional contracts secured and regular price increment for the tenanted services contracts of the environmental and cleaning services. As shown in Table 2 above, for FY2016, auto beauty services and management services also contributed revenue of approximately HK$12.9 million aggregately.

Gross profit of the Group decreased from approximately HK$23.7 million in FY2015 to approximately HK$19.7 million in FY2016. The Group's loss for the year increased significantly by approximately HK$19.3 million from approximately HK$27.2 million for FY2015 to approximately HK$46.5 million in FY2016. The gross profit margin also decreased to approximately 7.7% in FY2016 from 11.7% in FY2015. As stated in the Annual Report 2016, the decrease in gross profit margin of the Group for FY2016 was mainly due to the deterioration in the gross profit margin from the environmental and cleaning services business in Hong Kong by approximately 3.7% to approximately 7.6% from 11.3% in FY2015. While the increase in net loss was primarily attributable to decrease in the gross profit margin and increase in the selling and marketing expenses, administrative expenses, impairment loss and other losses.

As set out in the Table 3 above, as at 30 June 2016, the Group recorded net current assets and net assets attributable to owners of the Company of approximately HK$68.9 million and HK$118.7 million respectively.

*Financial year ended 30 June 2017 ("**FY2017**") versus FY2016*

According to the Annual Report 2017, the principal source of revenue of the Group was derived from environmental and cleaning services, which contributed to over 95% of the total revenue from continuing operations of the Group.

As set out in the Table 1 above, the revenue of the Group increased from approximately HK$256.5 million for FY2016 to approximately HK$270.2 million for FY2017, representing an increase of approximately 5.3%. This was mainly due to the increase in revenue of the Group's environmental and cleaning services of approximately HK$9.9 million in FY2017 and the new money lending business of approximately HK$3.8 million. As stated in the Annual Report 2017, the increase in revenue in environmental and cleaning services was mainly due to (i) the commencement of several new service contracts in the transportation and residential sector and regular price increment in the tenanted services contracts in Hong Kong; and (ii) the increase in revenue contributed from environmental and cleaning services in the PRC which only started in late FY2016. However, as stated in the Annual Report 2017, due to factors such as fierce competition and unsatisfactory results, the Group had discontinued the auto beauty services and the property and car park management services in FY2017.

Gross profit of the Group increased from approximately HK$19.7 million in FY2016 to approximately HK$30.1 million in FY2017. Gross profit margin increased from approximately 7.7% in FY2016 to approximately 11.1% in FY2017. According to the Annual Report 2017, this was as a result of the Group's effort in transferring most of the increased labour costs to the customers upon renewal of and securing the services contracts, implemented more efficient working flows and stringent cost control procedures to reduce significant direct labour and manpower services costs and early terminated some loss making service contracts.

The Group's net loss for the year reduced by approximately HK$30.9 million from approximately HK$46.5 million for FY2016 to approximately HK$15.6 million in FY2017. This was mainly as a result of the decrease in administrative expenses of approximately HK$26.1 million in FY2017. As stated in the Annual Report 2017, the decrease in administrative expenses was mainly due to (i) the decrease in the legal and professional fees by approximately HK$16.9 million for the professional advisory services for the Group's operations, business developments and the legal issues in FY2017; (ii) a one-off nature share-payment expenses of approximately HK$6.6 million being recognised in FY2016; and (iii) the implementation of the tight costs control procedures in 2017.

The Group only recorded slight increase in revenue during the three years ended 30 June 2017. The Group was also loss making for all of the three years ended 30 June 2017. The gross profit margin of the Group experienced large fluctuation during the three years ended 30 June 2017, ranging from approximately 7.7% to 11.7%. The gross profit margin decreased to approximately 7.7% in FY2016 from 11.7% for FY2015 and increased to approximately 11.1% in FY2017. As mentioned in the Annual Report 2016, the decrease in gross profit margin for FY2016 was due to increased direct labour and manpower services costs as a result of intensifying labour market competition in the environmental and cleaning services business. Though as stated in Annual Report 2017 that the Group implemented more efficient working flows and stringent cost control procedures to reduce significant direct labour and manpower services costs which saw the gross profit margin stabilised at

11.1% in FY2017, the cost controls might be difficult to maintain due to the pressure in increasing labour cost. It is uncertain if the Group would be able to enhance such measures to further stabilise its gross profit margin. Notably, in FY2017, loss for the year of the Group still stood at HK$15.6 million. For more details, please refer to the paragraph headed "*1(b). Prospect and outlook of the Group*" below.

As set out in the Table 3 above, as at 30 June 2017, the Group recorded net current assets and net assets attributable to owners of the Company of approximately HK$137.6 million and HK$151.5 million respectively.

*The six months ended 31 December 2017 ("**2018 Interim**") versus the six months ended 31 December 2016 ("**2017 Interim**")*

As set out in the Table 1 above, the revenue of the Group increased from approximately HK$130.9 million for 2017 Interim to approximately HK$153.4 million for 2018 Interim, representing an increase of approximately HK$22.5 million or 17.2%. Referring to Table 2 above, this was mainly due to the increase in revenue of the Group's environmental and cleaning services of approximately HK$14.2 million in 2018 Interim and the increase in revenue from the money lending business of approximately HK$8.3 million. In respect of the auto beauty services and the property and car park management services, as stated in the Annual Report 2017, due to factors such as fierce competition and unsatisfactory results, the Group had discontinued such services later during FY2017. As advised by the Company, the increase in revenue in environmental and cleaning services was mainly due to (i) regular price increment for own tenanted services contracts and successful bid and renewal of a number of significant services contracts for commercial complexes and transportation services in Hong Kong; (ii) the increase in revenue contributed from the environmental and cleaning services in the PRC which only started in late FY2016; and (iii) the increase in revenue contribution from the money lending business.

As shown in Table 1, the gross profit of the Group increased from approximately HK$15.3 million in 2017 Interim to approximately HK$23.3 million in 2018 Interim. Gross profit margin increased from approximately 11.7% in 2017 Interim to approximately 15.2% in 2018 Interim. As discussed with the management of the Company, this was mainly as a result of the net effect of (i) lower gross profit margin of the environmental and cleaning services in 2018 Interim; and (ii) the income contribution from the money lending segment.

From Table 1 above, the Group recorded profit for the period of approximately HK$0.4 million for 2017 Interim but a loss for the period of approximately HK$8.5 million for 2018 Interim. As advised by the management of the Company, such increase in net loss was mainly due to the net effect of (i) additional expenses of approximately HK$11 million incurred for the development of the new businesses of provision of financial regulated activities under the Securities and Futures Ordinance and provision of forex brokerage services in New Zealand as disclosed in the Company's announcement dated 5 June 2017, which were ceased to be developed by the Group in December 2017 in view of the unsatisfactory development progress, in particular the difficulties encountered on obtaining the relevant licences and/or approvals; (ii) the effective interest expense of approximately HK$2.4 million on the zero-coupon convertible bonds issued by the Group in August 2017; and (iii) additional profit of approximately HK$6.3 million from the money lending business which was newly commenced in December 2016.

Setting aside the aforementioned additional expenses of approximately HK$11 million, and without considering the tax effect, if any, the Group would have recorded a net profit of approximately HK$2.5 million for 2018 Interim, which was a slight improvement as compared with the profit for the period of approximately HK$0.4 million for 2017 Interim. The slight improvement in net profit was mainly due to the increase in profit from the money lending business of approximately HK$6.3 million partly netted off by the decrease in gross profit margin of the environmental and cleaning business. Considering the environmental and cleaning business is still the Group's major business which accounted for approximately 95% of the Group's revenue in 2018 Interim and the decrease in gross profit margin of such business, it is uncertain if the Group could maintain the overall profitability.

As set out in the Table 3 above, as at 31 December 2017, the Group recorded net current assets and net assets attributable to owners of the Company of approximately HK$139.2 million and HK$149.8 million respectively.

(b) Prospect and outlook of the Group

The Group is principally engaged in the provision of environmental and cleaning services in Hong Kong and the PRC and the provision of money lending services. According to the Annual Report 2017, revenue for FY2017 from environmental and cleaning services in Hong Kong amounted to approximately HK$258.1 million, which accounted for over 95% of total revenue from continuing operations of the Group. Environmental and cleaning services in Hong Kong is labour intensive and account for large portion of the costs of such services. The table below sets out the average salaries of cleaners in Hong Kong:

Table 4: Average monthly salaries of cleaners in pest control and cleaning services in Hong Kong

Year	Month	Cleaner (lavatory) *HK$*	Cleaner (general) *HK$*
2016	Sep	9,216	8,565
	Dec	9,356	8,690
2017	Mar	9,419	8,698
	Jun	9,770	8,951
	Sep	9,845	9,043

Source: Census and Statistics Department of Hong Kong SAR

Table 5: Statutory Minimum Wage (SMW) in Hong Kong

Effective date	SMW rate *(HK$/hour)*
May 2011	28
May 2013	30
May 2015	32.5
May 2017	34.5

Source: Labour Department of Hong Kong SAR

As shown in Table 4 above, the average monthly salaries of cleaners in Hong Kong had demonstrated an increasing trend. The average monthly salaries of lavatory cleaners had increased from HK$9,216 in September 2016 to HK$9,845 in September 2017, representing an increase of approximately 6.8%. The average monthly salaries of general cleaners had increased from HK$8,565 in September 2016 to HK$9,043 in September 2017, representing an increase of approximately 5.6%. For additional information, as shown in Table 5 above, the

SMW increased from \$32.5/hour in May 2015 to \$34.5/hour in May 2017, representing an increase of approximately 6.2%.

Despite the Group's gross profit margin improved in FY2017 as compared with FY2016, the gross profit margin for FY2017 was slightly lower than that of FY2015. As stated in the Annual Report 2017, the Group faces higher labour turnover rate in the environmental services industry as more labour tend to work in other less laborious industries such as the security guard service industry under the same SMW rate. To offset the increase in labour costs, the Group strived to transfer most of the increased labour costs to the customers and implement more efficient working flows and stringent cost control procedures. Notwithstanding that the Group had implemented stringent cost control procedures and transferred most of the increased labour costs to customers, the relatively high rate of increase in labour costs might affect the effectiveness of the Group's cost control procedures and the ability to transfer such costs to customers. It is uncertain if the Group would be able to enhance such measures to further stabilise its gross profit margin and in turn achieve a turnaround, where the loss for the year from continuing operations of the Group currently stood at HK\$15.6 million in FY2017.

Moreover, the Group only started the environment and cleaning services business in the PRC in FY2016 and the money lending business in FY2017 and together aggregately accounted for less than 5% of the Group's total revenue from continuing operations, it is uncertain if the Group would be able to enhance its performance through the aforesaid businesses.

2. Principal terms of the Offer

(a) The Offer

Amasse Capital is, for an on behalf of the Offeror, making the Offer to acquire all the Offer Shares on the following basis:

For each Offer Share . . . . HK\$0.355 in cash

The Offer Price of HK\$0.355 for each Offer Share is the same as the purchase price per Share under each of the Bought and Sold Notes. The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Shares to be acquired under the Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

The Offer Price of HK$0.355 per Offer Share represents:

(i) a discount of approximately 1.39% to the closing price of HK$0.360 per Share quoted on the Stock Exchange on 19 December 2017, being the Last Trading Day;

(ii) a discount of approximately 2.74% to the average closing price of approximately HK$0.365 per Share quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 10.35% to the average closing price of approximately HK$0.396 per Share quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 9.59% to the average closing price of approximately HK$0.393 per Share quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium/discount of nil to the closing price of HK$0.355 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a discount of approximately 36.7% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK$0.561 as at 30 June 2017, calculated based on the Group's audited consolidated net assets attributable to owners of the Company of HK$151,502,000 as at 30 June 2017 and 270,000,000 adjusted Shares *(note)* in issue as at 30 June 2017; and

(vii) a discount of approximately 36.0% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK$0.555 as at 31 December 2017, calculated based on the Group's unaudited consolidated net assets attributable to owners of the Company of HK$149,764,000 as at 31 December 2017 and 270,000,000 Shares in issue as at the Latest Practicable Date.

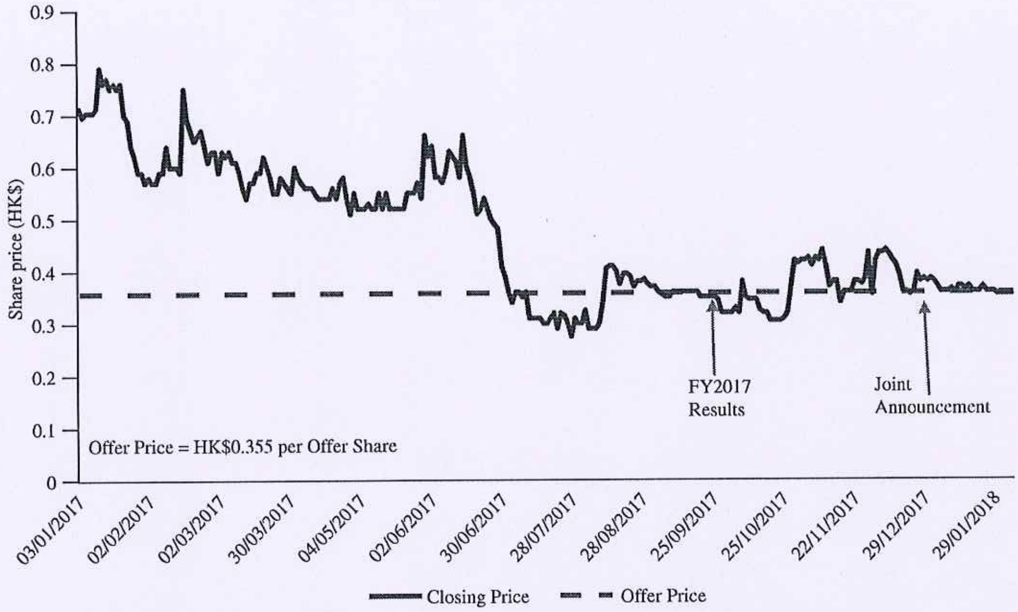
Further terms and conditions of the Offer, including the procedures for acceptance, are set out in Appendix I of the Composite Document.

Note: On 27 July 2017, the Company implemented share consolidation by consolidating every ten (10) issued and unissued Shares of HK$0.001 each in the share capital of the Company into one (1) Consolidated Share of HK$0.01 each in the share capital of the Company. The number of adjusted Shares in issue of 270,000,000 as at 30 June 2017 is adjusted based on the number of issued Shares as at 30 June 2017 of 2,700,000,000 divided by ten (10).

3. **Historical Share price performance**

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 3 January 2017 up to and including the Latest Practicable Date which we consider to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Share and the Offer (the "**Review Period**"):

Comparison of the Offer Price to daily closing prices of the Shares during the Review Period



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

Prior to the Joint Announcement issued by the Offeror and the Company dated 28 December 2017 (the "**Pre Joint Announcement Period**"), the lowest closing price of the Share was HK$0.275 per Share recorded on 31 July 2017 while the highest closing price of the Share was HK$0.79 per Share recorded on 11 January 2017. The average daily closing price of the Shares during the Review Period before the release of the Joint Announcement is HK$0.478 per Share. The Offer Price of HK$0.355 per Share represents (i) a premium of approximately 29.1% to the lowest closing price during the Review Period before the release of the Joint Announcement; (ii) a discount of approximately 55.1% to the highest closing price during the Review Period before the release of the Joint Announcement; and (iii) a discount of approximately 25.7% to the average daily closing price during the Review Period before the release of the Joint Announcement.

Upon release of the Joint Announcement (the "**Post Joint Announcement Period**"), the Share price ranged from HK$0.355 per Share on 1 February 2018 to HK$0.395 per Share on 29 December 2017, which equals to and represents a premium of approximately 11.3% from the Offer Price of HK$0.355, respectively. We noted that such Share price range is closely aligned with the Offer Price. Moreover, the Offer Price represents a slight discount of approximately 4% of the average share price for the three months immediately prior to and including the Last Trading Day, being the period after the publication of the results for FY2017 on 26 September 2017. It is noted that the Offeror intends to continue with the Group's existing principal business and no corporate actions or plans in relation to the future development of the Group have been materialised as at the Latest Practicable Date. Accordingly, we consider the Offer Price appropriately reflects the fundamentals of the Group.

4. Liquidity of the Shares

The table below sets out the trading volume of the Shares during the Review Period:

	Total monthly trading volume of the Shares *(Thousand Shares)*	**Number of trading days**	**Average daily trading volume of the Shares** *(Approximate thousand Shares)*	**Percentage of average daily trading volume to total number of Shares in issue** *(Note)*
2017				
January	5,070	19	266.9	0.099%
February	6,343	20	317.2	0.117%
March	2,107	23	91.6	0.034%
April	1,269	17	74.7	0.028%
May	825	20	41.2	0.015%
June	6,751	22	306.9	0.114%
July	3,886	21	185.0	0.069%
August	4,364	22	198.3	0.073%
September	1,631	21	77.7	0.029%
October	2,011	20	100.6	0.037%
November	5,789	22	263.2	0.097%
December	6,303	14	450.2	0.167%
2018				
January	4,940	22	224.5	0.083%
February (Up to the Latest Practicable Date)	1,562	5	312.4	0.116%

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

Note: On 27 July 2017, the Company implemented share consolidation by consolidating every ten (10) issued and unissued Shares of HK$0.001 each in the share capital of the Company into one (1) Consolidated Share of HK$0.01 each in the share capital of the Company. All the figures above are adjusted figures based on the number of issued Shares as at the Latest Practicable Date. At the Latest Practicable Date, the total number of Shares in issue is 270,000,000.

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period ranged from approximately 41,200 Shares to approximately 450,200 Shares, representing approximately 0.015% to approximately 0.167% of the total number of the Shares in issue as at the Latest Practicable Date.

We note that the historical daily trading volume of the Shares is relatively thin during the Review Period. The average daily trading volumes for the Pre Joint Announcement Period and the Post Joint Announcement Period were approximately 187,000 Shares and 284,800 Shares, respectively. We believe that such increase in trading volume of the Shares was likely due to the market reaction to the possible Offer.

Given the generally thin historical average daily trading volume of the Shares, it is uncertain that the overall liquidity of the Shares could be maintained and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. We, therefore, consider that the Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in the Shares.

5. Selected companies analysis

The Group is mainly engaged in the provision of environmental and cleaning services in Hong Kong. In assessing the fairness and reasonableness of the Offer Price, we attempted to compare the price-to-earnings ratio ("**P/E Ratio**"), the enterprise value multiple, the price-to-cash-flow ratio ("**P/CF Ratio**"), dividend yield and price-to-book ratio ("**P/B Ratio**"), which are the commonly used valuation methods in valuing a company, to other listed companies on the Stock Exchange.

We have identified four companies which are (i) principally engaged in the provision of environmental and cleaning services in Hong Kong of which contributed over 80% of total revenue of the respective company in their respective latest audited financial year; and (ii) have their shares listed on the Stock Exchange.

However, since the Group had been in poor financial performance which recorded net losses since FY2015 for three consecutive years while all of the aforementioned selected companies are profit-making, the financial performance of the Group renders such companies not appropriate for P/E Ratio comparison purpose. With respect to the enterprise value multiple, which is calculated by enterprise value/EBITDA, since the EBITDA of the Company for FY2017 was negative, even adjusted for one-off expenses, such valuation method is not applicable. Moreover, the Company also recorded a net operating cash outflow for FY2017, which renders the P/CF Ratio not applicable as well. As for the dividend yield method, since the Company had not paid out dividends since 2014, we consider such method would also be inappropriate.

Moreover, as the Group suffers from net losses continuously, while the selected companies are profit-making, we consider that there is material difference in profitability, being a major business fundamental, between the Group and the selected companies and the market may give different valuation to the selected companies and the Company as reflected by their respective share price. We consider such difference in profitability could be evidenced by the significant difference in market capitalisation between the Company and the selected companies. As at the Latest Practicable Date, the market capitalisation of the selected companies ranged from approximately HK$244 million to HK$315 million, which differ significantly from the implied market capitalisation of the Company of approximately HK$96 million based on the Offer Price of HK$0.355 per Share. In addition, the implied market capitalisation based on the average share price of the Company during the Post Joint Announcement Period of HK$0.366 per Share amounted to approximately HK$99 million, which closely aligns with the implied market capitalisation based on the Offer Price of approximately HK$96 million. We consider such difference in market valuation as reflected by market capitalisation between the Company and the selected companies would result in P/B Ratio analysis being inappropriate. Based on the above, we consider that there is no approximate companies for P/E Ratio and P/B ratio analysis and the enterprise value multiple, P/CF Ratio and the dividend yield method are not applicable.

6. Information on the Offeror and the intention of the Offeror in relation to the Group

(a) Information of the Offeror

Mr. Yu Shaoheng (余紹亨), aged 33, is the chief executive officer and the executive Director of the Company. He is currently the chairman of 陝西亨澤實業有限公司 (Shaanxi Hengze Industrial Corporation Limited*), which is principally engaged in investment in and development of energy, mining, environmental-preservation, real estate, and tourism businesses.

(b) Intention of the Offeror

The Offeror is the chief executive officer and the executive Director of the Company and immediately upon completion of the Bought and Sold Notes, the Offeror has become a controlling shareholder of the Company.

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the Offer. However, the Offeror will conduct a detailed review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group with the aim of growing and expanding its business and strengthening its financial position.

Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Group. As at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into an agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group.

Save for the Offeror's intention regarding the Group as set out in the sections headed "6. Intention of the Offeror in Relation to the Group" and "7. Board Composition of the Company" in the "Letter from Amasse Capital", the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

(c) Regarding the Board composition

The Board is currently made up of four Directors, comprising two executive Directors, being Mr. Yu Shaoheng (Chief Executive Officer) and Mr. Yang Yifan, and two independent non-executive Directors, being Mr. Chui Chi Yun, Robert and Mr. Kwong Tsz Ching, Jack.

The Offeror intends to nominate Mr. Yeung as new Executive Director to the Board with effect from the earliest time permitted under the Takeovers Code. Save for Mr. Yeung, there were no other new Directors intended to be appointed by the Offeror to the Board as at the Latest Practicable Date. Further announcement(s) will be made by the Company in compliance with the requirements of the GEM Listing Rules as and when there are changes in the composition of the Board.

Since the Offeror does not intend to introduce any major changes to the existing operation and business of the Company or re-deploy the employees and all the existing Directors will remain unchanged, and Mr. Yeung had already joined the Company since September 2014 and is currently the chief financial officer of the Company, the Directors expect the operation of the Group will not be materially affected in the immediate future by the new joining to the Board of Mr. Yeung.

In view of above, we consider that there is no material change to the Board and the proposed changes of the Board would not bring any material impact on the existing business of the Group and its future development. Moreover, the Offeror will continue the Group's existing business and there is no concrete plan for other business development as discussed above. As discussed under the paragraph headed "1. Financial information of the Group and outlook" above, the Group has been loss making for three consecutive years since FY2015 with only slight improvement for 2018 Interim even after setting aside the one-off additional expenses incurred during such period. Therefore, we consider there might not be material change to the current business operation and accordingly, the Group might not be able to demonstrate any material improvement to its existing financial performance, which cast uncertainty to future profitability. Shareholders should form their own judgment as to the commercial attractiveness of the effect of the new management on the Group.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular that:

(i) The fact that the Group had been loss-making since FY2015 as analysed in the paragraph headed "*1(a). Historical financial information of the Group*" above;

(ii) the uncertainty of the outlook of the Group's business given the challenges specially high labour turnover rate and the increasing labour costs as mentioned in the paragraph headed "*1(b). Prospect and outlook of the Group*" above;

(iii) the Offer Price closely aligns with the prevailing closing price and reflects the fundamentals of the Group as analysed in the paragraph headed "*3. Historical Share price performance*" above;

(iv) the historical trading volume of the Shares was generally thin during the Review Period. The Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in the Shares; and

(v) there is no material change to the Board and the Offeror does not intend to introduce any major changes to the existing operation and business of the Group and the Group might not be able to demonstrate any material improvement to its existing financial performance, which cast uncertainty to future profitability,

we are of the opinion that the terms of the Offer and the Offer Price 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. In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

In addition, the Independent Shareholders who wish to realise their investments in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period as, having taken into account the thin historical trading volume of the Shares on the Stock Exchange as discussed in the paragraph headed "*4. Liquidity of the Shares*" of this letter, they may experience difficulty in disposing of their Shares in the open market without creating downward pressure on the price of the Shares.

As each individual Independent Shareholder would have different investment objectives and/ or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Form of Acceptance.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Thomas Lai
Chief Executive Officer

Wallace Cheung
Director

Note: Mr. Thomas Lai is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 24 years of experience in corporate finance industry.

Mr. Wallace Cheung is a licensed person registered with the SFC and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 7 years of experience in corporate finance industry.