

9 February 2018

To the Independent Shareholders,

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)**

1. INTRODUCTION

Reference is made to the Joint Announcement in relation to the Offer. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Composite Document. As mentioned in the Joint Announcement, the Offeror (as purchaser) entered into the Bought and Sold Notes on 19 December 2017 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 vendors), 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.

This letter sets out, among other things, the principal terms of the Offer, together with information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures of acceptance and settlement are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance. Independent Shareholders are strongly advised to carefully consider the information contained in the section headed "Letter from the Board", "Letter from the Independent Board Committee", and "Letter from the Independent Financial Adviser" and the appendices as set out in the Composite Document before reaching a decision as to whether or not to accept the Offer.

2. THE IRREVOCABLE UNDERTAKING

Pursuant to the Vendor A Irrevocable Undertaking dated 18 December 2017, Vendor A has irrevocably undertaken to the Offeror and the Lender that from the date of the Vendor A Irrevocable Undertaking until the later of (a) the date falling the expiry of six (6) months from the closing date of the Offer; and (b) the date of the full repayment of the Facility by the Offeror, (i) it will not sell, transfer, charge, encumber, grant any option over or otherwise

dispose of or permit the sale, transfer, charging or other disposition or creation or grant of any other encumbrance or option of or over all or any Convertible Bonds or interest in such Convertible Bonds, or accept any other offer in respect of all or any Convertible Bonds; (ii) exercise any conversion rights attaching to the Convertible Bonds or otherwise convert any part or the whole of the Convertible Bonds into conversion shares; and (iii) enter into any agreement or arrangement or incur any obligation to do all or any of the acts referred to in paragraph (i) above or which would restrict or impede or otherwise preclude Vendor A from complying with its obligations under the Vendor A Irrevocable Undertaking.

In light of the Vendor A Irrevocable Undertaking, no offer is made for the Convertible Bonds as all the outstanding Convertible Bonds are held by Vendor A.

3. MANDATORY UNCONDITIONAL CASH OFFER

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 as at the Latest Practicable Date, 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 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.

Save for the Convertible Bonds, the Company did not have any outstanding, options, warrants, derivatives and 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) as at the Latest Practicable Date.

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

The Offer

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.

Comparison of value

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

- (a) 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;
- (b) 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 five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) 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;
- (d) 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;
- (e) the same as the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 36.04% 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 approximately HK\$149,764,000 as at 31 December 2017 and 270,000,000 Shares in issue as at the Latest Practicable Date.

Highest and lowest Share price

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.580 per Share on 20 June 2017; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.275 per Share on 31 July 2017.

Value of the Offer

Assuming the Offer is accepted in full and on the basis that there is no change in the issued share capital of the Company up to the close of the Offer, a total of 119,323,350 issued Shares (representing the Shares not already held or to be acquired by the Offeror and his Concert Parties) will be subject to the Offer and the maximum cash consideration payable by the Offeror under the Offer would be HK\$42,359,789.25 based on the Offer Price of HK\$0.355 per Offer Share.

Financial resources available to the Offeror

The Offeror intends to finance and satisfy the consideration payable under the Offer with his own resources and the Facility. According to the Facility Agreement, an aggregate of 96,245,250 Shares acquired by the Offeror under the Bought and Sold Notes and the Offer Shares to be acquired shall be deposited into the securities account and such securities account was charged in favor of the Lender, a third party independent of the Offeror prior to the entering into the Facility Agreement, as collaterals for the Facility.

The Offeror does not intend that the payment of the interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

The Lender is an experienced investor in the financial market and has experience in money lending business in Hong Kong. The Lender confirmed that he is not a Shareholder and did not, directly or indirectly, own any securities of the Company during the period from 20 June 2017, being the six-month period immediately preceding the Last Trading Day and up to the Latest Practicable Date and he will not, directly or indirectly, own any securities of the Company during the Offer Period and for the 6 months after the close of the Offer.

Amasse Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

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

Effect of accepting the Offer

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are 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.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Hong Kong stamp duty

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

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, his Concert Parties, the Company, Amasse Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Payment

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

Dealing and interests in the Company's securities

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 shares capital of the Company as at the Latest Practicable Date, and the Convertible Bonds. Immediately after the 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.

The Offeror confirmed that, as at the Latest Practicable Date, save for the 96,245,250 Shares acquired through the Bought and Sold Notes, none of the Offeror or his Concert Parties had dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) immediately prior to the completion of the Bought and Sold Notes; and (ii) immediately after the completion of the Bought and Sold Notes and as at the Latest Practicable Date:

	Immediately prior to the completion of the Bought and Sold Notes		Immediately after the completion of the Bought and Sold Notes and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Offeror and his Concert Parties				
The Offeror	–	–	96,245,250	35.65
Mr. Yu Weiye (<i>Note</i>)	54,431,400	20.16	54,431,400	20.16
Vendor A (<i>Note</i>)	42,789,750	15.85	–	–
<i>Sub-total</i>	<i>97,221,150</i>	<i>36.01</i>	<i>150,676,650</i>	<i>55.81</i>
Vendor B	26,730,000	9.90	–	–
Vendor C	26,725,500	9.90	–	–
Other public Shareholders	119,323,350	44.19	119,323,350	44.19
TOTAL	<u>270,000,000</u>	<u>100.00</u>	<u>270,000,000</u>	<u>100.00</u>

Note: Mr. Yu Weiye is the father of the Offeror and Vendor A is wholly owned by Mr. Yu Weiye.

4. INFORMATION OF THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “5. Information of the Group” in the “Letter from the Board” to the Composite Document.

5. 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.

6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

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

Following the close of the Offer, it is the intention of the Offeror that the Group will continue 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 above and the board composition of the Company as set out below, 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.

7. BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of four Directors, comprising two executive Directors, being Mr. Yu Shaoheng (Chief Executive Officer) and Mr. Tang Tian, 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 Yat Chuen (“**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.

Mr. Yeung, aged 35, is the chief financial officer of the Company and the director, company secretary or statutory representative of various members of the Group. He has worked in the financial industry for more than 10 years. He joined the Group in September 2014. Mr. Yeung graduated from the Hong Kong University of Science and Technology in 2005 with a Bachelor Degree in Mathematics.

Save as disclosed above, Mr. Yeung does not hold any other position with the Company and other members of the Group.

Mr. Yeung has not held any directorships in any other publicly listed companies in the last three years. Mr. Yeung is not connected to any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Yeung does not have any interests in the shares of the Company which is required to be disclosed under Part XV of the SFO.

Save as disclosed above, there is no information relating to Mr. Yeung that is required to be disclosed pursuant to Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

Retirement of independent non-executive Director and non-compliance with Audit Committee and independent non-executive Directors requirements

As set out in the section headed “Re-election of the Directors” in the circular of the Company dated 1 November 2017 in relation to, among other things, resignation and appointment of the Directors, in accordance with Article 83(3) of the articles of association of the Company, Mr. Yu Xiufeng (“**Mr. Yu**”) was appointed to fill casual vacancy, he should hold office until the first general meeting of the Shareholders and be eligible for re-election. However, due to health issues, Mr. Yu did not offer himself for re-election as an independent non-executive Director at the annual general meeting of the Company dated 29 December 2017 and retired accordingly.

Following the retirement of Mr. Yu, the Company had two independent non-executive Directors and two Audit Committee members, the number of which falls below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. The Board would make its best endeavours to identify an appropriate person to be appointed as independent non-executive Director, to fill the vacancy in the Audit Committee within three months from the date of Mr. Yu’s retirement pursuant to Rules 5.06 and 5.33 of the GEM

Listing Rules. 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.

8. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

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

The Offeror intends the Company to remain listed on the Stock Exchange. The Offeror, Mr. Yeung, as the new Director to be appointed to the Board and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

9. ACCEPTANCE AND SETTLEMENT

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

10. COMPULSORY ACQUISITION

The Offeror does not intend to exercise or apply any right which may be available to him to acquire compulsorily any Shares outstanding after the close of the Offer.

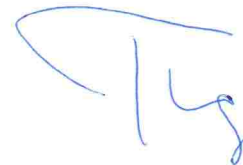
11. GENERAL

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of the members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholders whose name appears first in the register of members of the Company. The Offeror, his Concert Parties, the Company, Amasse Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

12. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Amasse Capital Limited



Michael Lam
Managing Director