

AmCap

Ample Capital Limited

豐盛融資有限公司

22 August 2017

*To the Independent Board Committee of
Highlight China IoT International Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF ROSY LANE INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
HIGHLIGHT CHINA IOT INTERNATIONAL LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee in respect of the Offer, the particulars of which have been set out in the Composite Document to the Shareholders dated 22 August 2017 and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Composite Document.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising Mr. Chan Kin, being a non-executive Director, Mr. Lau Chi Kit, Mr. Ma Ming and Mr. Li Hui, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

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Member of Ample Finance Group 豐盛金融集團成員

We, Ample Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. The appointment of Ample Capital has been approved by the Independent Board Committee.

On 12 July 2017, the Offeror entered into the Sale and Purchase Agreement with the Vendor relating to the sale and purchase of approximately 62.01% interest in the Company.

The principal terms of the Sale and Purchase Agreement are summarised as below:

- Date : 12 July 2017
- Parties : (i) Unitech Enterprises Group Limited (卓科企業集團有限公司), as vendor of the Sale Shares
- (ii) Rosy Lane International Limited (盛途國際有限公司), as purchaser of the Sale Shares

Immediately before the execution of the Sale and Purchase Agreement, the Offeror was (i) independent of and not connected with the Company or its subsidiaries, any of their respective directors, chief executive or substantial shareholders or associates of any of them; and (ii) not acting in concert with the Vendor or parties acting in concert with the Vendor.

- Subject matter : The Vendor had agreed to sell and the Offeror had agreed to purchase, at Completion, the Sale Shares, free from all Encumbrances and together with all rights attaching to them on and after the date of Completion.

The Sale Shares being 322,326,500 Shares, represent approximately 62.01% of the entire issued share capital of the Company as at the date of the Latest Practicable Date.

- Consideration : The Consideration under the Sale and Purchase Agreement amounted to HK\$300,000,000 (equivalent to approximately HK\$0.931 per Sale Share).

The Consideration was determined after arm's length negotiations between the Vendor and the Offeror taking into account factors including but not limited to the financial position of the Group and the listing status of the Company.

The Offeror had entered into the Deed of Set Off with the Vendor and Bloom Dragon, pursuant to which the Offeror, the Vendor and Bloom Dragon have agreed that the Consideration shall be set off against the subscription amount payable by Bloom Dragon to the Offeror for the Series A Note under the Notes Subscription Agreement and the principal amount of the loan owed by the Vendor to Bloom Dragon under the Loan Agreement in accordance with the terms of the Deed of Set Off.

- Completion : Completion took place on the date of the Sale and Purchase Agreement.

Immediately before the execution of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it did not own any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it own 322,326,500 Shares, representing approximately 62.01% of the entire issued share capital of the Company.

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

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information in relation to the Offer and operation of the Group supplied to us by the Company and the Offeror (where applicable), the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Composite Document. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible as required under the Takeovers Code. We have also assumed that all statements of opinion made by the Directors and the management of the Company in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

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

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.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Offer, we have taken into consideration the following factors:

1. Information on the Group

As stated in the “Letter from the Board” (the “**Board Letter**”) in the Composite Document, the Company is principally engaged in the garment sourcing business and its Shares have been listed on the Stock Exchange since 5 October 2010. Set out below is certain summary financial information as extracted from the Company’s annual report for the year ended 31 March 2017 (the “**Annual Report**”):

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	80,992	164,589
(Loss) attributable to owners of the Company	(11,443)	(24,757)

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(audited)	(audited)
Total assets	40,230	66,022
Total liabilities	(34,350)	(48,699)
Net assets	5,880	17,323

We noted that the Company recorded audited consolidated revenue of approximately HK\$80,992,000 for the year ended 31 March 2017, representing an approximately 50.79% decrease when compared with the audited consolidated revenue of approximately HK\$164,589,000 recorded during the year ended 31 March 2016. Based on note 6 to the financial statements in the Annual Report titled “Segment information”, the Group’s revenue of HK\$80,992,000 during the year ended 31 March 2017 was derived as to (i) approximately HK\$65,343,000 from the United States of America (the “USA”), representing approximately 80.68% of total revenue and a decrease of approximately 33.87% as compared with the previous year’s revenue of approximately HK\$98,817,000; (ii) approximately HK\$15,649,000

from Canada, representing approximately 19.32% of the total revenue and a decrease of approximately 67.71% as compared with the previous year's revenue of approximately HK\$48,464,000; and (iii) no more orders from Mexico which generated approximately HK\$17,308,000 to the revenue of the Group for the year ended 31 March 2016. As further mentioned in the Annual Report, the decrease was mainly attributable to the sluggish retail demand in the USA, Canada and Europe that still has weighed on buyers' confidence and made retailers particularly cautious in placing orders.

The Company recorded a decrease in loss attributable to owners of the Company from approximately HK\$24,757,000 for the year ended 31 March 2016 to approximately HK\$11,443,000 for the year ended 31 March 2017, representing an improvement of approximately 53.78%. As stated in the Annual Report, despite the gross profit margin decreased from approximately 7.8% to approximately 6.2% due to slow demand and keen competition, the decrease in selling and distribution costs and administrative expenses resulted from the reduction in headcounts and sample making had compensated the decrease in gross profit.

As shown in the Annual Report, the revenue of the Company has been in the decreasing trend since the year ended 31 March 2013 from approximately HK\$1,071,162,000 to HK\$282,089,000 (restated) in 2014, HK\$365,690,000 in 2015, HK\$164,589,000 in 2016 and HK\$80,992,000 in 2017 with loss attributable to owners of the Company commencing in the year ended 31 March 2015. The Company mentioned in the prospects and development plan of the Annual Report that the development of the Group's current business as a garment sourcing management supplier in providing value-added services such as material sourcing, product design and development, sample making and logistics arrangement, has fallen short of expectations and failed to bring forth significant breakthroughs. Affected by unfavorable factors including the slowdown in global investment, weak growth in trade, subdued production growth, intense competition within the industry, increased operational costs and decreased product demand, the Group's revenue and profit generated from its businesses have been unsatisfactory. With further reference to the Peer Comparables (as defined in section 3.3 of this letter) which are also engaged in the garment business as shown in "Peer Comparables" under the below section headed "3.3 Comparable analysis", we note that 6 out of 10 Peer Comparables were also loss making in their respective latest financial year. In view of the tightening trade policies proposed by Mr. Donald Trump, the president of the USA and the slow recovery of economy in Europe, we consider the development of garment business under this political and economic condition is expected to be full of uncertainties and challenges.

As at 31 March 2017, the Company had audited consolidated total assets, total liabilities and net assets of approximately HK\$40,230,000, HK\$34,350,000 and HK\$5,880,000 respectively, whereas despite the reduced total liabilities of approximately 29.46% from approximately HK\$48,699,000 as at 31 March 2016, the total assets and net asset value of the Company recorded a decrease of approximately 39.07% and approximately 66.06% from approximately HK\$66,022,000 and approximately HK\$17,323,000 respectively as at 31 March 2016.

The Company further mentioned in the Annual Report that, in order to maximize the interests of the Shareholders and with the experience and connections of the management of the Company in relevant fields, the Group is planning to shift its business direction and establish subsidiaries in the PRC for the purposes of developing and operating the integrated information service platform on broadcasting networks, including, but not limited to, provision of comprehensive town management, market supervision, comprehensive law enforcement, public convenience and other services. Referring to the Company's announcements dated 18 May 2017 and 22 May 2017, the Company has proposed cooperation with Independent Third Parties in the development of the abovementioned businesses (the "**Cooperation Opportunities**"). The agreements with Jiangxi Broadcasting and Pingyang Wasu in relation to the Cooperation Opportunities are framework agreements for the strategic cooperation of the parties. The specific details of the cooperation shall be subject to definitive agreements which are subject to negotiation and have not yet been entered into with Jiangxi Broadcasting and Pingyang Wasu respectively. As at the Latest Practicable Date, definitive agreements in relation to the Cooperation Opportunities have not yet been entered into between the parties. Since the Company is still in the stage of exploring and assessing the Cooperation Opportunities, it is first of all, uncertain whether the Cooperation Opportunities would indeed be materialized. Nonetheless, the Cooperation Opportunities may be subject to possible financial investment whereas it is unsure when the return of investment would be realized. Taking into account of the uncertainties and given that the Cooperation Opportunities are not expected to be materialized before the close of the Offer, we are of the view that the value of the Cooperation Opportunities, if materialized, is unlikely to be realized by the Shareholders in the near future.

Despite that the Offer Price is currently at a discount to the closing price of the Shares as at the Latest Practicable Date, the stock market is unpredictable and Share price may fluctuate and having considered the Group's unsatisfactory financial performance as discussed above, the unmaterialized business diversification plans and unforeseeable prospects of the Group, we consider that the Offer provide viable exits for the Shareholders should they wish to realize their investments in the Company.

2. Information on the Offeror and its intention on the Group

As stated in the "Letter from Kingston Securities" (the "**Kingston Letter**") set out in the Composite Document, the Offeror is an investment holding company incorporated in the BVI with limited liability on 9 May 2017. The Offeror has been wholly, ultimately and beneficially owned by Mr. Zhi Hua since 7 July 2017.

Mr. Zhi Hua has been conducting business or holding interest directly or indirectly in certain companies which are principally engaged in municipal and infrastructure construction, provision of investment management and advisory services, technology development, advisory and transfer on computer hardware, software and electronic products in the PRC.

The Kingston Letter further states that the Offeror intends to continue the existing principal businesses of the Group and intends the Company to remain listed on the Stock Exchange.

The Kingston Letter further discloses that following the close of the Offer, the Offeror would conduct a review on the financial position and the operations of the Group and would formulate long-term business plans and strategy of the Group, 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 would be appropriate to enhance the long-term growth potential of the Group. The Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for the change of Board composition as disclosed in the paragraph headed “PROPOSED CHANGE OF BOARD COMPOSITION” in the Kingston Letter); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

In this connection, the Offeror does not have any concrete plan on the future development of the business of the Group as at the Latest Practicable Date, considering the unsatisfactory financial performance of the Group and its principal business in recent years under most of the existing management and unmaterialized business plans as discussed in section 1 of this letter, while whether the credentials of Mr. Zhi Hua may provide alternative business opportunities and/or direction to enhance the Group’s future prospects is unknown. Nonetheless, we would like to remind the Shareholders that it is uncertain whether and when business opportunities may be presented to the Group by the Offeror. Furthermore, since the Offeror is a newly established company and based on the information available to us, we are not aware of any potential synergies that may be generated between the Offeror and the Group’s existing business.

As at the Latest Practicable Date, the executive Directors are Mr. Gao Zhiyin, Mr. Gao Zhiping, Mr. Feng Chen and Mr. Lam Kai Yeung, the non-executive Director is Mr. Chan Kin and the independent non-executive Directors are Mr. Lau Chi Kit, Mr. Ma Ming and Mr. Li Hui.

As stated in the Kingston Letter, following the Completion, the Offeror became the controlling shareholder of the Company, being interested in approximately 62.01% of the entire issued share capital of the Company. It is intended that Mr. Gao Zhiyin and Mr. Gao Zhiping, will resign with effect upon the later of (i) the date immediately after the Closing Date; and (ii) the earliest time permitted for resignation and appointment of directors under the Takeovers Code. The Offeror proposes to nominate new Directors to the Board subject to compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a separate announcement will be made in this regard as and when appropriate.

In addition, the sole director of the Offeror has undertaken and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

3. Principal terms of the Offer

As stated in the Kingston Letter, Kingston Securities is, on behalf of the Offeror, making an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

The Offer

For each Offer Share HK\$0.931

As disclosed in the Kingston Letter, the Offer Price of HK\$0.931 per Offer Share is approximately equal but not lower than the price per Share of HK\$0.931 at which the Sale Shares have been acquired by the Offeror pursuant to the Sale and Purchase Agreement. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

It is stated in the Kingston Letter that by validly accepting the Offer, the Shareholders would sell their tendered Offer Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of posting of the Composite Document. The Offer is unconditional in all respects and will open for acceptance from the date of the Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

3.1 *Comparison of value*

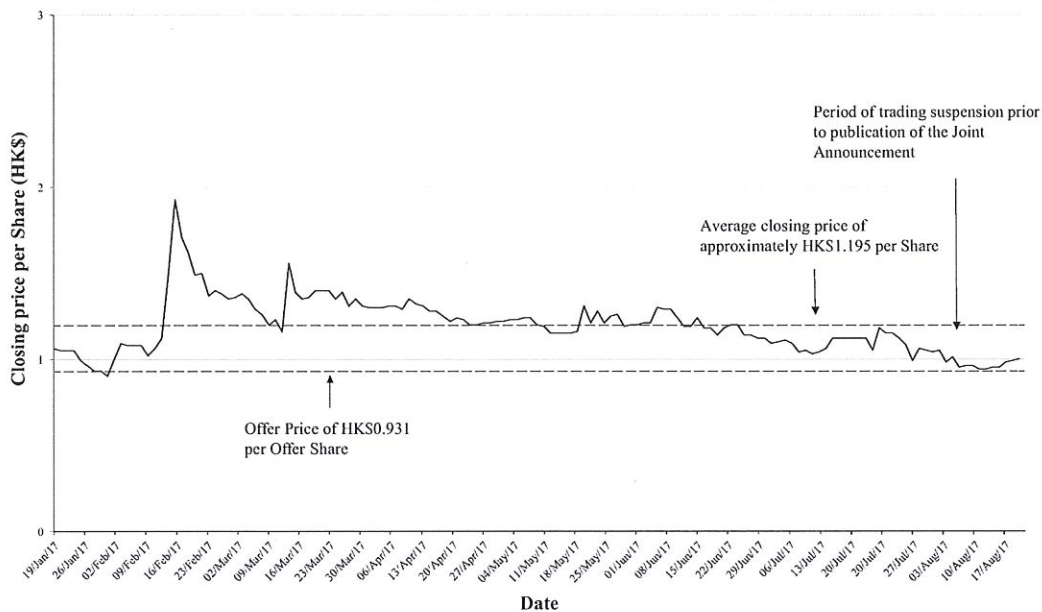
The Offer Price of HK\$0.931 for each Offer Share represents:

- (a) a discount of approximately 16.875% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 12.17% to the average closing price of HK\$1.06 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 9,210% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.01 per Share as at 31 March 2017, the date to which the latest audited financial results of the Group were made up; and
- (d) a discount of 6.9% to the closing price of HK\$1 per Share as quoted by the Stock Exchange on the Latest Practicable Date.

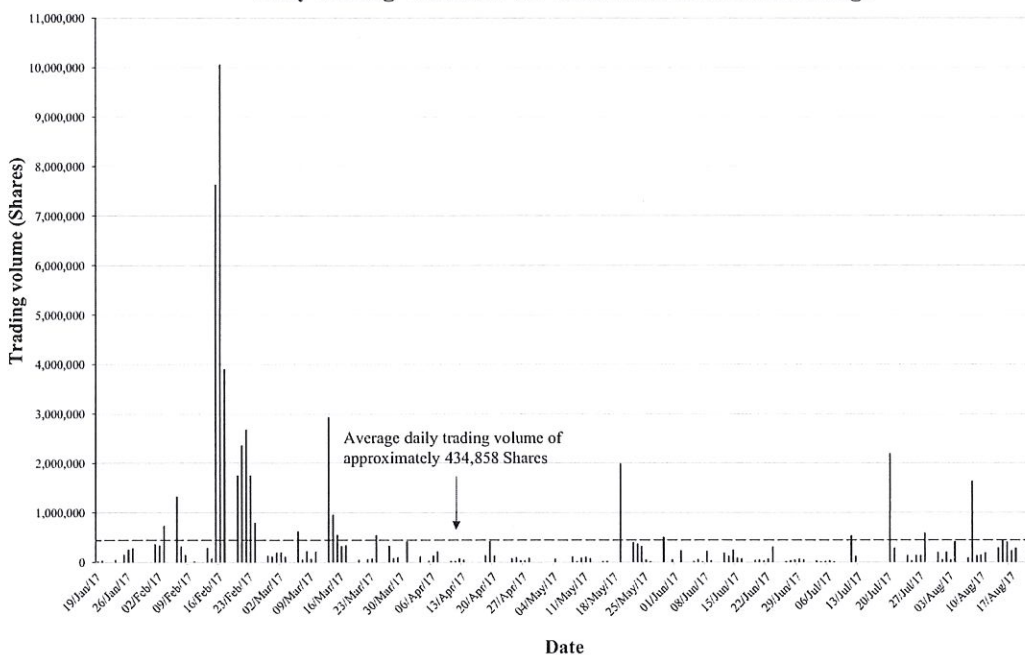
3.2 Historical closing price and trading volume of the Shares on the Stock Exchange

Set out below is the daily closing price and daily trading volume of the Shares as quoted on the Stock Exchange from 19 January 2017 (being six months prior to the commencement of the Offer Period, being the date of the Joint Announcement on 19 July 2017) up to and including the Latest Practicable Date (the “Review Period”). This 6-month period is adopted taking into account of the determination of the consideration of an offer being the highest price paid by the offeror within 6 months prior to the commencement of the respective offer period under Rule 26 of the Takeovers Code which we consider fluctuations of Share prices were free from any possible effects due to dealings made by the Offeror.

Closing price per Share on the Stock Exchange



Daily trading volume of the Shares on the Stock Exchange



Source: <http://www.hkex.com.hk/> and <http://www.hkexnews.hk/>

We noted from the above charts that, during the Review Period, the Shares closed on the Stock Exchange within the range of the lowest of HK\$0.90 per Share on 2 February 2017 to the highest of HK\$1.93 per Share on 16 February 2017. The Offer Price falls close to the lowest closing price of HK\$0.90 per Share during the Review Period and represents a discount of approximately 22.07% to the average closing price of approximately HK\$1.195 per Share during the Review Period.

On the other hand, the daily trading volume of the Shares on the Stock Exchange has been extremely thin during the Review Period. The issued shares of the Company of 519,777,000 Shares as at the Latest Practicable Date remained unchanged during the Review Period. Excluding the 322,326,500 Shares which represent approximately 62.01% of the issued share capital of the Company held by the Vendor during the Review Period, the Company has public float of 197,450,500 Shares. The average daily trading volume of the Shares on the Stock Exchange amounted to approximately 434,858 Shares during the Review Period, representing approximately 0.08% of the Company's issued share capital and approximately 0.22% of the public float as at the Latest Practicable Date. Despite the rise of closing prices of the Shares during the Review Period possibly owing to positive media commentary by one news article on 15 February 2017 in relation to an expectation of positive prospects and return of the Shares (which we consider may have possibly triggered a short-term stimulation of Share transactions after having noted the Company has not published any announcement of significance on or around 16 February 2017 and obtained a confirmation by the management of the Company on the aforementioned understanding), the highest daily trading volume of the Shares only amounted to 10,056,000 Shares on 16 February 2017, representing approximately 1.93% of the Company's issued share capital and approximately 5.09% of the public float as at the Latest Practicable Date, showing that the liquidity of the Shares had been inactive during the Review Period not to mention that there has been one or two days in every month during the Review Period which recorded zero trading volume.

Given the extremely thin historical daily trading volume of the Shares during the Review Period, it is uncertain as to whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the Share price on the market. As such, we are of the view that the prevailing market price of the Shares may not necessarily reflect the actual proceeds that the Independent Shareholders (especially those with more sizeable holdings) may receive if they elect to dispose of their Shares on the open market. Accordingly, we believe that the Offer represents an opportunity and a viable alternative exit (instead of attempting to dispose the Shares on the Stock Exchange when the prevailing market price of the Shares is at a premium to the Offer Price as at the Latest Practicable Date) for the Independent Shareholders, particularly for those with a significant shareholding in the Company, to realize their investment at the Offer Price if they so wish.

3.3 Comparative analysis

For the purpose of comparison, we have identified (i) 10 listed companies on the Stock Exchange which are engaged in a principal business in the garment industry with over 50% of its revenue contributed by garment business and over 50% of its revenue in Europe, the USA and/or Canada which is similar to that of the Company (the “**Peer Comparable(s)**”) and with a market capitalization between HK\$400 million and HK\$600 million as the Company has a market capitalization of approximately HK\$483.9 million as at the Last Trading Day. Considering that the garment sourcing business of the Company is affected directly by the garment industry as a whole, we are of the view that the business performance of the peer listed companies engaged in the same industry is comparable with that of the Company; and (ii) 12 listed companies on the Stock Exchange which have recently undergone mandatory general offer exercise by an offeror as announced during the past three months from 19 April 2017 up to the date of the Joint Announcement (the “**Offer Comparable(s)**”). The Offer Comparables reflect the pricing trend of the most recent mandatory general offer transactions which are of the same nature as the Offer, being a takeover of a listed company triggered by gaining control of over 30% of voting rights regardless of its original principal business. However, considering that the Offer Comparables are engaged in different principal businesses as the Company’s, we are of the view that the Offer Comparables are meaningful for illustration purpose in comparing the offer prices in the market of other similar transactions to the Offer to enable the Independent Shareholders to make a balanced and informed decision.

The Peer Comparables and Offer Comparables represent exhaustive lists of all comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief through our research on the Stock Exchange. We have also inquired the Company’s management, based on their best knowledge, in relation to relevancy of the principal businesses of the Peer Comparables as compared with the Company. It is noted from the Board Letter that garment sourcing is the principal business of the Company. But due to the niche nature of this particular segment, we have only identified 1 company (namely State Energy Group International Assets Holdings Ltd (stock code: 918) (the “**Garment Sourcing Comparable**”) which is also principally engaged in the sourcing of garment in the garment industry. However, the Garment Sourcing Comparable is nonetheless engaged in other principal business like property investment. For Independent Shareholders’ information purposes, we have included the most comparable companies engaged in the same garment industry as the Peer Comparables which, in our opinion, collectively constitute the closest proxies to the Company and are therefore fair and representative samples to serve as a general reference to the valuation of the Group’s business.

Since the Company has recorded consistent net losses for each of the three years ended 31 March 2015, 2016 and 2107 as per the Annual Report, an analysis on the price-to-earnings ratio is not feasible. For comparison purposes, we have conducted an analysis on the price-to-book ratio (“**P/B**”) on the Peer Comparables. We consider that P/B which compares the market capitalization of a company against its net asset value (“**NAV**”) is a commonly used benchmark in comparing the valuations of different companies engaged in the same industry, and it is also appropriate for assessing a company engaged in the garment industry since the business mainly involves the apparel products as the inventory, trade receivables and payables where NAV would reflect the underlying value of the company. Our analysis on the comparables is set out below.

The Peer Comparables

Company name (stock code)	Principal business	Market capitalization as at the Last Trading Day/valuation ^(note 1) (HK\$)	Latest audited/ unaudited NAV ^(note 2) (HK\$)	P/B ratio ^(note 4)
Tungtex (Holdings) Co. Limited (518)	Manufacture & sale of garments.	408,388,250	473,111,000	0.863
State Energy Group International Assets Holdings Ltd. (918)	Sourcing, subcontracting, marketing and selling of garments and sportswear products, and property investment.	426,473,300	27,563,000	15.473
Carry Wealth Holdings Limited (643)	Garment manufacturing and trading, securities investment.	482,644,434	228,193,000	2.115
Tristate Holdings Limited (458)	Garment manufacturing; branded product distribution, retail and trading.	453,584,113	1,238,121,000	0.366
Season Pacific Holdings Limited (8127)	Sells apparel products with the provision of supply chain management total solutions to customers.	490,000,000	61,372,000	7.984
China Hanya Group Holdings Limited (8312)	Garment distributions.	555,000,000	22,002,000	25.225
China Partytime Culture Holdings Limited (1532)	Design, development, production, sales and marketing of cosplay products (including cosplay costumes and cosplay wigs) and sexy lingerie.	468,865,080	477,125,600 ^(note 3)	0.983
Pak Tak International Limited (2668)	Manufacture of and trading in knit-to-shape garments.	509,400,000	107,098,000	4.756
High Fashion International Limited (608)	Manufacture, trading and retailing of garments.	595,950,069	2,188,462,000	0.272

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Company name (stock code)	Principal business	Market capitalization as at the Last Trading Day/valuation ^(note 1) (HK\$)	Latest audited/ unaudited NAV ^(note 2) (HK\$)	P/B ratio ^(note 4)
YangtzeKiang Garment Limited (294)	Manufacture and sale of garments and textiles, the provision of processing services and the rental of properties.	599,568,295	1,169,580,000	0.513
			Minimum	0.272
			Maximum	25.225
			Average	5.855
The Company	Garment sourcing.	483,912,387 ^(note 5)	5,880,000	82.298

Source: <http://www.hkex.com.hk/> and <http://www.hkexnews.hk/>

Notes:

1. For the Peer Comparables, their respective market capitalization is based on that as at the Last Trading Day.
2. The latest audited or unaudited NAV attributable to shareholders of the respective Peer Comparables based on the latest published financial results of the listed company.
3. Calculated based on the exchange rate at Reminbi = HK\$1.12, which are for illustrative purpose only in this letter.
4. The P/B ratio is calculated based on the market capitalisation of the respective Peer Comparables as at 12 July 2017, being the Last Trading Day (or, if suspended, the respective share closing price on the last trading day before the 12 July 2017) and the issued shares on the 12 July 2017 of the Peer Comparables divided by the latest published NAV attributable to shareholders of the respective Peer Comparables as extracted from their respective latest published financial results.
5. To reflect the valuation of the Company under the Offer, the valuation of the Company is calculated by the total issued share of 519,777,000 Shares multiplied by the Offer Price of HK\$0.931.

As illustrated in the analysis above, the P/B of the Peer Comparables range from the lowest of approximately 0.272 times to the highest of approximately 25.225 times (which has the lowest NAV among the Peer Comparables) with the average of approximately 5.855 times. In addition, the P/B of the Garment Sourcing Comparable is approximately 15.473 times. Comparatively, the implied P/B of the Company (calculated with reference to the Offer Price) of approximately 82.298 times is significantly higher than the Peer Comparables and the Garment Sourcing Comparable, indicating that comparing with the listed companies which are of similar business nature and market capitalization, the valuation of the Company based on the Offer Price offered by the Offeror to the Independent Shareholders is outstandingly larger than the actual NAV of the Company. Therefore, based on the above analysis, it is considered that the Offer Price is attractive in comparison with the NAV of the Company.

The Offer Comparables

Company name (stock code)	Announcement date	Principal business	Offer price (HK\$)	Closing price as at the last trading day (HK\$)	(Discount)/ premium (%)
Feishang Non-metal Materials Technology Limited (8331)	19 April 2017	Development of Huanghai Bentonite Mine in Anhui province, the PRC, and the production and sale of bentonite products in the PRC.	0.70	1.26	(44.444)
Jimei International Entertainment Group Limited (1159)	19 April 2017	Entertainment and gaming business, and trading of chemical products, and energy conservation and environmental protection products.	1.20	6.60	(81.818)
Lifestyle Properties Development Limited (2183)	19 April 2017	Property development and property investment.	5.18	4.95	4.646
Millennium Pacific Group Holdings Limited (8147)	26 April 2017	Research and development, manufacture and sale of consumer electronic products, such as GPS personal navigation devices, mobile internet devices and digital video recorders.	0.07	0.11	(36.190)
China Display Optoelectronics Technology Holdings Limited (334)	1 May 2017	Manufacturing and sale of LCD modules for mobile phones and smart pads.	0.90	1.34	(32.836)

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Company name (stock code)	Announcement date	Principal business	Offer price (HK\$)	Closing price as at the last trading day (HK\$)	(Discount)/ premium (%)
China Kangda Food Company Limited (834)	2 May 2017	Processing, sales and distribution of chilled and frozen meat products, processed food products and other related products in the PRC.	1.34	2.42	(44.628)
On Time Logistics Holdings Limited (6123)	8 May 2017	Providing export freight forwarding services through obtaining cargo space from major airline and other carriers for delivering shipments to the required destinations.	4.07	3.87	5.163
Fraser Holdings Limited (8366)	11 May 2017	Undertaking slope works, foundation works and other general building works in Hong Kong.	0.25	0.27	(7.407)
MelcoLot Limited (8198)	29 May 2017	Provision of lottery- related technologies, systems and solutions in the PRC.	0.252	0.44	(42.727)
Rui Kang Pharmaceutical Group Investments Limited (8037)	15 June 2017	Manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; provision of medical laboratory testing services and health check services in Hong Kong; and trading of securities in Hong Kong.	0.51	0.49	4.082

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Company name (stock code)	Announcement date	Principal business	Offer price (HK\$)	Closing price as at the last trading day (HK\$)	(Discount)/ premium (%)
Landing International Development Limited (582)	15 June 2017	Development and operation of the integrated leisure and entertainment resort; gaming and entertainment facilities; property development; and design, manufacturing and sales of the LED and semiconductor lighting related products.	0.075	0.08	(6.250)
Kenford Group Holdings Limited (464)	18 July 2017	Design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances.	1.60	1.46	9.589
				Minimum	(81.818)
				Maximum	9.589
				Average	(37.038)
The Company	19 July 2017	Garment sourcing	0.931	1.12	(22.735)

Source: <http://www.hkex.com.hk/> and <http://www.hkexnews.hk/>

For illustration purpose and the Shareholders' reference only due to the inclusion of Offer Comparables that are engaged in various principal businesses that are not the same as that of the Company, the Offer Comparables based on the analysis above have offer prices representing a premium of approximately 9.589% over and a discount of approximately 81.818% to the relevant closing prices on their last trading days on the high end and low end respectively, with an average variance being a discount of approximately 22.735%. Based on the Offer Comparables, the discount of the Offer Price to the closing price per Share on the Last Trading Day of approximately 16.875% is less than the average variance of the Offer Comparables which illustrates that the Offer Price is more favourable to the Independent Shareholders than the market practice under the recent financial market condition.

CONCLUSION

Having considered the aforementioned principal factors, in particular:

- (i) the Company has recorded consistent net losses for each of the three years ended 31 March 2015, 2016 and 2017 and the business performance of the Group has been experiencing a downward trend as discussed in section 1 of this letter;
- (ii) the business plans of the Group remained unmaterialized as at the Latest Practicable Date and the future prospects of the Group is uncertain as discussed in sections 1 and 2 of this letter;
- (iii) the Offeror does not appear to have any concrete plan to return the Group's existing business back to profitability as at the Latest Practicable Date and it remains unknown whether the proposed executive Directors as key decision makers of the Group possess relevant experience, whereas whether the credentials of Mr. Zhi Hua may bring new business opportunities to the Group is uncertain;
- (iv) the Offer Price of HK\$0.931 per Offer Share represents a substantial premium of approximately 9,210% over the audited consolidated NAV attributable to owners of the Company per Share of approximately HK\$0.01 as at 31 March 2017;
- (v) the historical trading volume of the Shares on the Stock Exchange was extremely thin during the Review Period, the average daily trading volume of the Shares on the Stock Exchange amounted to approximately 434,858 Shares during the Review Period, representing approximately 0.08% of the Company's issued share capital and approximately 0.22% of the public float as at the Latest Practicable Date and the highest number of Shares traded per day amounted to only 10,056,000 Shares, representing approximately 1.93% of the Company's issued share capital and approximately 5.09% of the public float as at the Latest Practicable Date as discussed in section 3.2 of this letter; and
- (vi) the Company has extremely low NAV and the Company's implied P/B (calculated with reference to the Offer Price) of approximately 82.298 times is significantly higher than the highest P/B of the Peer Comparables of approximately 25.225 times (which has the lowest NAV among the Peer Comparables) and the P/B of the Garment Sourcing Comparable of approximately 15.473 times (which is principally engaged in garment sourcing as well as property investment), indicating that the Offer Price is attractive when comparing with the NAV of the Company (which is engaged in garment sourcing business alone) as discussed in section 3.3 of this letter,

we consider that the terms of the Offer (including the Offer Price being set at a discount of approximately 16.875% to the closing price per Share on the Last Trading Day) are, on balance, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

RECOMMENDATIONS

In view of the above, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, given the Offer Price is currently at a discount to the closing price of the Shares as at the Latest Practicable Date, the Independent Shareholders who wish to realize part or all of their investments in the Company should closely monitor the market price of the Shares during the Offer Period and instead of accepting the Offer for the Independent Shareholders, consider selling their Shares in the open market should the sales proceeds, net of all transaction costs, exceed the amount receivable under acceptance of the Offer.

In addition, the Independent Shareholders who wish to realize 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 of the extremely thin historical trading volume of the Shares on the Stock Exchange as discussed in section 3.2 of this letter, they may experience difficulty in disposing the Shares in the open market without creating downward pressure on the price of the Shares.

For the Independent Shareholders who wish to retain all or part of their investments in the Company should carefully monitor the future plans in relation to the Company that may be implemented by the Offeror and note that, considering the extremely thin historical trading volume of the Shares, they may not be able to dispose of their investments in the Company after the close of the Offer.

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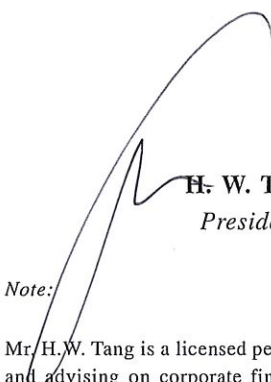
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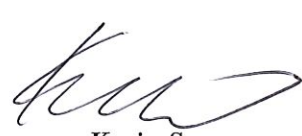
As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, 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 accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Ample Capital Limited

Yours faithfully,
For and on behalf of
Ample Capital Limited



H. W. Tang
President



Kevin So
Senior Vice President

Note:

Mr. H.W. Tang is a licensed person under the SFO to undertake types 1 and 6 regulated activities (dealing in securities and advising on corporate finance respectively) and is a responsible officer in respect of Ample Capital's type 6 regulated activity (advising on corporate finance). Mr. Tang has over 13 years of experience in the corporate finance industry in Hong Kong.

Mr. Kevin So is a licensed person under the SFO to undertake types 6 and 9 regulated activities (advising on corporate finance and asset management respectively) and is a responsible officer in respect of Ample Capital's type 6 regulated activity (advising on corporate finance). Mr. So has over 13 years of experience in the corporate finance industry in Hong Kong.