



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

28 June 2019

To the Independent Shareholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF
FULL FORTUNE INTERNATIONAL CO., LTD
TO ACQUIRE ALL THE ISSUED SHARES OF KAKIKO GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY FULL FORTUNE INTERNATIONAL CO., LTD AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement. On 27 May 2019 (before trading hours), the Offeror (being purchaser) entered into the SP Agreement with, among others, the Vendor (being seller) and Mr. Kuah Ann Thia, pursuant to which the Offeror agreed to acquire from the Vendor the Acquired Shares for a consideration of HK\$257,100,000 (equivalent to approximately HK\$0.4064822 per Acquired Share). Completion took place immediately after signing of the SP Agreement on 27 May 2019.

Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned an aggregate 632,500,000 Shares (representing approximately 51.42% of the issued share capital of the Company). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Guotai Junan Securities is making the Offer for and on behalf of the Offeror.

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offer, the information on the Offeror and its intention in relation to the Company. Further details of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Your attention is also drawn to the information contained in the letter from the Board, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendices set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Principal terms of the Offer

The Offer is being made by Guotai Junan Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.4065 in cash

The Offer Price is approximately equal to but not lower than the purchase price per Acquired Share paid by the Offeror under the SP Agreement. The Offer is unconditional in all respects.

As at the Latest Practicable Date, the Company had 1,230,000,000 Shares in issue, and had no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date. Taking into account 632,500,000 Shares that are already owned or agreed to be acquired by the Offeror and parties acting in concert with it, a total of 597,500,000 Shares will be subject to the Offer.

Close of the Offer Period

The Offeror shall not extend the offer period for the Offer beyond 21 days following the despatch of this Composite Document.

Comparison of value

The Offer Price of HK\$0.4065 per Offer Share represents:

- (i) a discount of approximately 76.90% to the last trading price of HK\$1.760000 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 75.80% to the closing price of HK\$1.680000 per Share as quoted on the Stock Exchange immediately before trading in the Shares were halted on 27 May 2019 and being the Last Trading Day (i.e. 24 May 2019);
- (iii) a discount of approximately 75.80% to the average closing price of HK\$1.680000 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 76.50% to the average closing price of HK\$1.730000 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

- (v) a discount of approximately 77.90% to the average closing price of approximately HK\$1.839333 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 253.18% over the audited consolidated net asset value attributable to Shareholders of approximately S\$0.020234 per Share (equivalent to approximately HK\$0.115096) as at 31 December 2018, the date to which the latest audited consolidated financial results of the Company were made up.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.07 per Share on 19 December 2018, 7 and 8 January 2019 respectively, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.68 per Share from 20 to 24 May 2019 respectively.

VALUE OF THE OFFER

As at the Latest Practicable Date, there are 1,230,000,000 Shares in issue of which the Offeror and the parties acting in concert with it together hold 632,500,000 Shares. On the assumption that the Offer is accepted in full by the holders of the Offer Shares and on the basis that there are 597,500,000 Offer Shares and the Offer Price being HK\$0.4065 per Offer Share, the value of the Offer is approximately HK\$242,883,750.

CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance and satisfy the consideration payable under the Offer by way of the Facility severally granted by Tonghai Securities and Mason Securities. As a security of the Facility, the Offeror had, among others, entered into a deed of share charge where all of the Acquired Shares acquired were, and Offer Shares to be acquired pursuant to the Offer will be, charged in favour of Tonghai Securities and Mason Securities. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) relating to the Facility will depend to any significant extent on the business of the Company.

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

EFFECT OF ACCEPTING THE OFFER

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

By accepting the Offer, the Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of the offer document). The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

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

ACCEPTANCE AND SETTLEMENT

Settlement of the considerations for the Offer Shares will be made in cash as soon as possible but in any event within seven Business Days of the date of receipt of a duly completed acceptance of the Offer Shares. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

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

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

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.

HONG KONG STAMP DUTY

In Hong Kong, seller's ad valorem stamp duty payable by the Shareholders who accept the Offer is calculated at a rate of 0.1% of (i) the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong); or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will then pay the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will bear the buyer's ad valorem stamp duty in relation to the acceptance of the Offer and the transfer of the Offer Shares.

TAXATION ADVICE

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, Guotai Junan Capital, Guotai Junan Securities, Tonghai Securities, Mason Securities, Astrum Capital, the Share Registrar or any of 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.

INFORMATION ON THE OFFEROR

The Offeror is an international business company incorporated in the Republic of Seychelles and principally engages in the business of investment holding. As at the Latest Practicable Date, the Offeror is the beneficial owner of 632,500,000 Shares and is wholly-owned by Mr. Chen.

Mr. Chen, aged 44, has approximately 20 years of experience in the real estate and construction industry, particularly in operation and strategic management. Mr. Chen completed his undergraduate studies in economic management at the Army Officer Academy of People's Liberation Army of China* (中國人民解放軍南京炮兵學院) in June 2012.

Mr. Chen is the chairman of the board of directors of Shanghai Jinhai Corporate Development Group Company Limited* (上海今海企業發展(集團)有限公司), a company founded by him in 2002 and principally engages in real estate development, such as construction of commercial plaza and residential buildings, and property management, including dormitories and commercial plaza. He has also acted as the chairman of the board of directors of each of Shanghai Guobao Property Company Limited* (上海國寶置業有限公司) since March 2006 and Shanghai Laiyada Property Development Company Limited* (上海來亞達置業發展有限公司) since March 2011 whose principal businesses also include real estate development and property management. His responsibilities include, amongst others, overseeing the progress of development and construction projects and liaising with construction contractors on various aspects, including manpower and resources allocation.

Mr. Chen is currently the executive deputy chairman (執行副會長) of Ningbo Chamber of Commerce in Shanghai (上海市寧波商會). From September 2015 to October 2017, he was the non-executive director of Vision Fame International Holding Limited (stock code: 1315), the shares of which are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Chen has not held any other directorships in any other publicly listed companies in the three years preceding the date of this Composite Document.

INTENTION OF THE OFFEROR

As detailed in the letter from the Board contained in this Composite Document, the Group is principally engaged in the provision of manpower outsourcing and ancillary services, provision of dormitory services, and provision of IT services and construction ancillary services for the building and construction industry.

It is the Offeror's intention to acquire a majority interest in the Company pursuant to the SP Agreement and the Offer. The intention of the Offeror is that the Company's existing principal activities, namely provision of manpower outsourcing and ancillary services, provision of dormitory services, provision of IT services and provision of construction ancillary services in Singapore, will be maintained. As set out in the paragraph headed "Information on the Offeror", Mr. Chen has been acting as director of several companies in the industries of real estate development, building construction and property (including dormitories) management for years and has obtained experience in construction contracting and the related staffing arrangement. Given that the Company's principal activities are also related to building construction and dormitory operation, the Offeror will, leverage on Mr. Chen's experience in real estate development and property management, assist the Company in reviewing its business and operations and financial position of the Group in order to seek for new business opportunities to enhance and strengthen the business of the Group.

The Offeror has no intention to introduce major changes to the existing operation and business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. As at the Latest Practicable Date, the Offeror (i) has not discussed with anyone, (ii) has not contemplated, (iii) has not entered into any negotiation, nor (iv) has any intention to enter into any negotiation, of the disposal of the existing business or assets of the Company; and/or the acquisition of new business or assets by the Company. Save for the proposed change(s) to the composition of the Board as mentioned below, the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, subject to the results of the review regarding the business and financial position of the Group, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to increase the value of the Group.

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 issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) 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 existing Director(s) and the sole director of the Offeror have jointly and severally 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 Company's Shares.

As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by Independent Shareholders under the Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of new Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right or power which may be available to it to compulsorily acquire of the remaining Shares not acquired under the Offer after the close of the Offer.

PROPOSED CHANGE OF THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprised Mr. Kuah and Ms. Dolly Hwa Ai Kim (also known as Dolly Ke Aijin) as executive Directors; Mr. Lu Yong as non-executive Director; and Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie), Mr. Lau Kwok Fai Patrick and Mr. Lam Raymond Shiu Cheung as independent non-executive Directors.

Pursuant to the SP Agreement, all of the abovementioned existing Directors may resign with effect from the earliest time permitted under the Takeovers Code. Such resignation will be made in compliance with the Takeovers Code and the Listing Rules.

The Offeror intends to nominate new Directors, including Mr. Chen to the Board with effect from the earliest time as permitted under the Takeovers Code and such proposed nomination of new Directors have not yet been finalised as at the date of this Composite Document. Any such appointment will be made in compliance with the Takeovers Code and the Listing Rules and further announcement for details of the change of the Board composition and biographies of Directors will be made by the Company as and when appropriate. Please refer to the paragraph headed “Information on the Offeror” above for the biographical details of Mr. Chen.

Save for the change(s) to the composition of the Board as mentioned above, the Offeror has no intention to introduce any significant changes to the management of the Group, or to discontinue the employment of the employees, following completion of the Offer.

GENERAL INFORMATION

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

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

Attention of the Overseas Shareholders is drawn to the section headed “Important notices” contained in this Composite Document and the paragraph headed “6. Overseas Shareholders” in Appendix I to this Composite Document.

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 members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. None of the Offeror and parties acting in concert with it, the Company, Guotai Junan Capital, Guotai Junan Securities, Tonghai Securities, Mason Securities, Astrum Capital, the Share Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof or in connection therewith.

WARNING

Independent Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

ADDITIONAL INFORMATION ABOUT THE OFFER

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the Form of Acceptance, which form part of this Composite Document. You are reminded to read carefully the letter from the Board, the letter from the Independent Board Committee, the letter from Independent Financial Adviser and other information about the Group which are set out in this Composite Document, before reaching a decision as to whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited

A handwritten signature in black ink, appearing to be 'Anthony Wong', written over a horizontal line.

Anthony Wong
Deputy General Manager