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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in ABLE ENGINEERING HOLDINGS LIMITED, you should at once hand this circular to the purchaser(s) or transferee(s) or to the stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares of the Company.

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**ABLE ENGINEERING HOLDINGS LIMITED**  
**安保工程控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1627)**

**(1) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK SUBCONTRACTING  
AGREEMENT;  
(2) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK CONTRACTING AGREEMENT;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

A letter from the Board is set out on pages 6 to 29 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 30 to 31 of this circular. A letter from Ample Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 67 of this circular.

A notice convening the extraordinary general meeting of the Company (or any adjournment thereof) (the “EGM”) to be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong on Thursday, 9 June 2022 at 10 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

To safeguard the health and safety of the shareholders of the Company (“Shareholders”), the Company encourages the Shareholders to consider appointing the chairman of the EGM as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the EGM, instead of attending the EGM in person. Please see Note 12 of the Notice of EGM set out on page EGM-4 of this Circular for measures to be implemented to try to prevent and control the spread of the coronavirus disease (“COVID-19”) at the EGM.

24 May 2022

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## DEFINITIONS

*The following expressions in this circular have the meanings set out below unless the content requires otherwise:*

“Articles of Association”	the articles of association of the Company currently in force
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are open for business in Hong Kong
“building construction”	mainly involves engineering construction of substructure and superstructure of building structural frames and external building envelopes (either constructed by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers and the design of the theme of the buildings) and also provides the buildings with internal fitting out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external landscaping hard and soft works, underground utilities services and community services
“BVI”	the British Virgin Islands
“civil engineering”	the design and/or construction of structures, infrastructures, airports, ports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or aforementioned content, but excluding residential, commercial and industrial buildings and public amenities and facilities which are largely architecturally driven

## DEFINITIONS

“Company”	Able Engineering Holdings Limited (安保工程控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange (stock code: 1627)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Framework Subcontracting Agreement and the Framework Contracting Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group and the Gain Capital Group upon completion of the Gain Capital Agreement
“Framework Agreements”	the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement)
“Framework Contracting Agreement”	the framework contracting agreement dated 18 February 2022 entered into between the Company (for and on its own behalf and any of its subsidiaries) (as the contractor) and Lanon Development (as the subcontractor) in relation to the provision of subcontracting services by Lanon Development to any member of the Group, as amended and supplemented by the Supplemental Contracting Agreement
“Framework Subcontracting Agreement”	the framework subcontracting agreement dated 18 February 2022 entered into between Lanon Development (as the contractor) and the Company (for and on its own behalf and any of its subsidiaries) (as the subcontractor) in relation to the provision of subcontracting services by any member of the Group to Lanon Development, as amended and supplemented by the Supplemental Subcontracting Agreement

## DEFINITIONS

“Four Group C Licences”	the four Group C (confirmed) licences of the Works Branch of the Development Bureau of the HKSAR Government in four public works categories (being Port Works Category, Roads & Drainage Category, Site Formation Category and Waterworks Category) possess by Lanon Development but not possessed by members of the Group
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSAR Government”	the government of the Hong Kong Special Administrative Region of the People's Republic of China
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Board Committee”	an independent committee of the Board, which comprises all the independent non-executive Directors, established to advise the Independent Shareholders on the fairness and reasonableness of terms of the Framework Agreements, and to advise the Independent Shareholders how to vote at the EGM
“Independent Financial Advisor” or “Ample Capital”	Ample Capital Limited (豐盛融資有限公司), a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreements (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM

## DEFINITIONS

“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and their respective connected persons
“Lanon Development”	Lanon Development Limited (亮雅發展有限公司), a company incorporated in Hong Kong with limited liability, owned as to 100% by Lanon Holdings as at the Latest Practicable Date
“Lanon Holdings”	Lanon Holdings Limited, a company incorporated in the BVI with limited liability and is ultimately beneficially owned as to 100% by Mr. WY NGAI as at the Latest Practicable Date
“Latest Practicable Date”	20 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Mr. CH NGAI”	Mr. NGAI Chun Hung, a controlling shareholder, the chairman and an executive Director of the Company and the father of Mr. WY NGAI
“Mr. WY NGAI”	Mr. NGAI Wing Yin, aged over 18, (a) the son of Mr. CH NGAI and (b) the ultimate beneficial owner of Lanon Holdings and Lanon Development (through Lanon Holdings) as at the Latest Practicable Date
“Mr. YAU”	Mr. YAU Kwok Fai, an executive Director of the Company
“RMAA”	construction related works regarding repair, maintenance, alterations and/or additions
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares

## DEFINITIONS

“Supplemental Contracting Agreement”	the supplemental agreement to the Framework Contracting Agreement dated 20 May 2022 entered into between the Company (for and on its own and any of its subsidiaries) and Lanon Development to extend the long stop date of the Framework Contracting Agreement
“Supplemental Subcontracting Agreement”	the supplemental agreement to the Framework Subcontracting Agreement dated 20 May 2022 entered into between Lanon Development and the Company (for and on its own and any of its subsidiaries) to extend the long stop date of the Framework Subcontracting Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.



**ABLE ENGINEERING HOLDINGS LIMITED**  
**安 保 工 程 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1627)**

**Directors:**

*Executive Directors:*

Mr. NGAI Chun Hung (*Chairman*)  
Mr. CHEUNG Ho Yuen (*Chief Executive Officer*)  
Mr. LAU Chi Fai Daniel  
Mr. YAU Kwok Fai

*Independent Non-executive Directors:*

Prof. KO Jan Ming  
Dr. LEE Man Piu Albert  
Dr. LI Yok Sheung  
Ms. MAK Suk Hing  
Mr. MONG Chan

**Registered Office:**

Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

**Head Office and Principal**

**Place of Business:**

No. 155 Waterloo Road  
Kowloon Tong  
Kowloon  
Hong Kong

24 May 2022

*To the Shareholders,*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK SUBCONTRACTING  
AGREEMENT;  
(2) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK CONTRACTING AGREEMENT;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to (i) the announcement of the Company dated 18 February 2022 in relation to, among other things, the Framework Subcontracting Agreement and the Framework Contracting Agreement and (ii) the announcement of the Company dated 20 May 2022 in relation to, among other things, the Supplemental Subcontracting Agreement and the Supplemental Contracting Agreement.



## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement); (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the EGM, together with a form of proxy.

### THE FRAMEWORK SUBCONTRACTING AGREEMENT

On 18 February 2022 (after trading hours), Lanon Development (as the contractor) and the Company (for and on behalf of itself and any of its subsidiaries) (as the subcontractor) entered into the Framework Subcontracting Agreement, pursuant to which Lanon Development may engage any member of the Group as subcontractor from time to time in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

On 20 May 2022 (after trading hours), Lanon Development and the Company (for and on behalf of itself and any of its subsidiaries) entered into the Supplemental Subcontracting Agreement to extend the long stop date of the Framework Subcontracting Agreement to 15 June 2022. Save for the extension of the long stop date, all other terms and conditions of the Framework Subcontracting Agreement remain unchanged and in full force and effect in all respects.

Up to the Latest Practicable Date, Lanon Development has not engaged any members of the Group as subcontractor in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

Summarised below are the principal terms of the Framework Subcontracting Agreement:

- Date:** 18 February 2022 (as amended and supplemented by the Supplemental Subcontracting Agreement dated 20 May 2022)
- Parties:** Lanon Development (as the contractor); and  
the Company (for and on behalf of itself and any of its subsidiaries) (as the subcontractor).

Under the Framework Subcontracting Agreement, Lanon Development may invite the members of the Group for quotations or tender for the provision of the relevant subcontracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong. Whilst the principal business of the Group is engaged in provision of building construction and RMAA works in Hong Kong, the Company is given to understand that certain clients allow contractors possessing the relevant licences and qualifications to cooperate with or engage subcontractors in construction projects, despite such subcontractors do not possess such licences or qualifications on their own. Accordingly, the Group could also be engaged by Lanon Development in providing civil engineering works as a subcontractor.

## LETTER FROM THE BOARD

Lanon Development will generally select the most suitable subcontractor(s) from its approved list of subcontractors based on their relevant skill sets, qualifications and experience, subject to their availability and fee quotations or tender documents submitted. Lanon Development is not bound to engage any member of the Group for quotations or tender submitted by it and may engage other subcontractors.

In the event that Lanon Development accepts the quotation or tender provided by any member of the Group, Lanon Development shall acknowledge its acceptance of the quotation by a written confirmation. The relevant member of the Group shall carry out the works and Lanon Development shall pay the subcontracting fees in accordance with the relevant quotations or tenders (as submitted by the relevant member of the Group) accepted (the “**Sub-contracting Accepted Projects**”).

### **Term**

Subject to the fulfilment of the condition precedent set out below, the term of the Framework Subcontracting Agreement shall commence from the date on which the Framework Subcontracting Agreement becomes unconditional to 31 March 2025, unless terminated earlier in accordance with the terms of the Framework Subcontracting Agreement.

### **Condition**

The Framework Subcontracting Agreement and the obligations of the parties thereunder shall not become effective or binding upon the parties unless and until the passing of all resolutions by the Independent Shareholders (who are entitled to vote and are not required to abstain from voting under the Listing Rules) at the EGM to approve the entering into the Framework Subcontracting Agreement by the Company (for and on its own behalf and any of its subsidiaries) and the performance of the transactions contemplated thereunder in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong and other applicable jurisdictions.

The long stop date for fulfilling the above condition shall be 15 June 2022 (or such later date as the parties of the Framework Subcontracting Agreement may agree). If the above condition is not fulfilled on or before such long stop date, the Framework Subcontracting Agreement shall be of no effect without the necessity for either party giving any notice to that effect and there shall be no claim under or in connection with the Framework Subcontracting Agreement by either party against the other.

## LETTER FROM THE BOARD

### Pricing Policy

Under the Framework Subcontracting Agreement, the subcontracting fees payable by Lanon Development to the Group shall be arrived at after arm's length negotiations on normal commercial terms and shall be determined, on a project-by-project basis, by reference to, among other things, the following factors:

- (a) the prevailing market prices of materials and relevant costs of subcontracting services at the time of tendering for the Subcontracting Accepted Projects based on the Comparative Information (as defined below) and the competitive quotations from suppliers and/or subcontractors of Lanon Development;
- (b) the scale, complexity and specifications of the projects, nature and amount of works to be performed, the capacity of the Group, the estimated time required to complete the works and other technical project requirements under the Subcontracting Accepted Projects;
- (c) the historical fees received from independent third party subcontractors for similar scope of services performed for similar projects;
- (d) the fee level in the market and competitive conditions at the contract negotiation stage;
- (e) the terms (including payment terms and terms of service) previously entered into with independent third party subcontractors for similar scope of services performed for similar projects; and
- (f) the specification and level of risks involved in each Subcontracting Accepted Projects.

Upon receipt of the tender package or tender booklet which usually contains the conditions of tender, specifications, schedule of rates and drawing, the Group's procurement department would be responsible for conducting preliminary preparation works for the quotation or tender submission which include reviewing tender document in detail, ensuring that the Group and its staff have the requisite licences, qualifications and experience for handling the project, and understanding the project specifications, etc..

In determining the proposed terms for quotations or tenders to be submitted by relevant member of the Group to Lanon Development for subcontracting projects:

- (i) the procurement department, which is led by the Group's Chief Executive Officer who has over 25 years of experience in the construction industry in Hong Kong, will first invite Independent Third Party suppliers and service providers to provide quotations according to the nature and scope of work and the materials required by the project. This enables the procurement department to assess the estimated project cost to be incurred;

## LETTER FROM THE BOARD

- (ii) the procurement department will then prepare a preliminary assessment on project cost for review by the executive Directors and the senior management based on the quotations obtained in paragraph (i) above;
- (iii) the procurement department will refer to the information compiled by it in relation to the prevailing service fees being charged by Independent Third Party subcontractors under ordinary course of business for providing the required services or similar services in Hong Kong, in order to ensure the pricing and terms under the quotations or tenders submitted by relevant member of the Group to Lanon Development will be on the same (or better) terms and not less favourable to the Group than the fees payable by Independent Third Parties. Such information is extracted from all quotations and tenders from Independent Third Party subcontractors submitted to the Group from time to time and the procurement department will refer to the latest information obtained from the projects with similar size and nature as the basis for the prevailing service fees in the market (the “**Comparative Information**”). The procurement department will update the Comparative Information at least once every six months and as soon as the Group obtains any quotations and tenders from Independent Third Party subcontractors;
- (iv) the procurement department will set the quotation or tender price with reference to the Comparative Information and submit the proposed terms for quotations or tenders and the preliminary assessed project cost (including, among others, direct labour cost, subcontracting cost, material cost and insurance cost, as well as preliminary quotations from the construction materials suppliers and subcontractors), together with the Comparative Information, for management’s review; and
- (v) the executive Directors (except those with any conflict of interest) and the senior management involved in project management, all with over 20 years of experience in the construction industry in Hong Kong, will review the information from the procurement department and consider whether the profit margin (being the difference between the proposed terms for quotations or tenders and the preliminary assessed project costs) justifies the Group to participate the tender or quotation. The procurement department will proceed to submit quotation or tender documents to Lanon Development after having obtained approval from such executive Directors and senior management.

## LETTER FROM THE BOARD

### Annual Caps

The Directors anticipate that the maximum amount of subcontracting fees payable by Lanon Development to the Group under the Framework Subcontracting Agreement for the years ending 31 March 2023, 31 March 2024 and 31 March 2025 shall not exceed the proposed caps of HK\$280 million, HK\$600 million and HK\$690 million, respectively. In determining the above proposed annual caps, the Directors have considered:

- (a) the historical project size of the Group in providing relevant services for each of the past three (3) financial years;
- (b) the estimated amount of final subcontracting fees to be received by the Group under the Subcontracting Accepted Projects for the years ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing subcontracting arrangements entered into by the members of the Group with other third parties;
- (c) the estimated demand required from Lanon Development for sub-contracting services to be provided by the Group for the year ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing contacts, potential contracts and submitted tenders of Lanon Development; and
- (d) a buffer on the potential change in costs and estimated demand for subcontracting services to be provided by the Group.

In determining the proposed annual caps under the Framework Subcontracting Agreement, the Group estimated that Lanon Development would engage the Group as a subcontractor in at least one Subcontracting Accepted Project each for a term of 24 months in each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025, in line with the Group's historical record in the past three financial years of projects with comparable contract sum with terms ranging from 20 months to 29 months. The proposed annual caps pursuant to the Framework Subcontracting Agreement are determined as follows:

- (i) for the proposed annual cap of HK\$280 million for the year ending 31 March 2023: the maximum annualised subcontracting fees of approximately HK\$230 million, (a) having estimated that Lanon Development would engage the Group as subcontractor in one Subcontracting Accepted Project for a term of 24 months for services commencing from the beginning of the year ending 31 March 2023 with estimated initial contract sum of HK\$500 million to be recognised evenly throughout the estimated 24-month contract period and (b) having deducted the estimated 8% gross profit margin assuming Lanon Development subcontracts most of the works under the Subcontracting Accepted Project(s) to the Group and retain only the gross profit with 8% gross profit margin (such practice is not uncommon in the construction industry in Hong Kong) and (c) including a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$230 million for the year ending 31 March 2023;

## LETTER FROM THE BOARD

- (ii) for the proposed annual cap of HK\$600 million for the year ending 31 March 2024: (a) the maximum annualised subcontracting fees of approximately HK\$230 million carried from the ongoing Subcontracting Accepted Project(s) commenced in the year ending 31 March 2023, and including (b) the maximum annualised subcontracting fees of approximately HK\$265 million for at least one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months for services commencing from the beginning of the year and the total estimated contract sum of HK\$575 million (representing a 15% year-over-year growth of the estimated initial contract sum of HK\$500 million) to be recognised evenly throughout the estimated 24-month contract period, having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the total maximum annualised subcontracting fees of approximately HK\$495 million for the year ending 31 March 2024; and
- (iii) for the proposed annual cap of HK\$690 million for the year ending 31 March 2025: (a) the maximum annualised subcontracting fees of approximately HK\$265 million carried from the ongoing Subcontracting Accepted Project(s) commenced in the year ending 31 March 2024, and including (b) the maximum annualised subcontracting fees of approximately HK\$304 million for at least one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months for services commencing from the beginning of the year and the total estimated contract sum of approximately HK\$611 million (representing a 15% year-over-year growth of the estimated contract sum of HK\$575 million) to be recognised evenly throughout the estimated 24-month contract period, having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the total maximum annualised subcontracting fees of approximately HK\$569 million for the year ending 31 March 2025.

The estimated initial contract sum of HK\$500 million for the year ending 31 March 2023 was determined based on (a) the minimum group tender limit of HK\$400 million for Group C contractors pursuant to the Contractors Management Handbook of Development Bureau in Hong Kong and (b) the existing contracts, potential contracts and submitted tenders of Lanon Development as at the Latest Practicable Date with tender amount ranging from approximately HK\$428 million to approximately HK\$1.9 billion.

## LETTER FROM THE BOARD

In determining the year-over-year growth rate of 15%, the Group having noted the potential increase in demand and tender amount in view of the long term development plan of the HKSAR Government, adopted a prudent approach to base the year-over-year growth rate to the increase in the amount allocated to public works programme (overall) of approximately 11.3% in The 2022-2023 Budget, with a slight upward adjustment to cater for the increase in the amount allocated to civil engineering works of approximately 28.3% and housing-related works of approximately 48.0% in The 2022-2023 Budget, respectively. After taking into account the year-over-year growth rate of 15%, the estimated contract sum for each of the year ending 31 March 2023, 31 March 2024 and 31 March 2025 falls within the range of the aforementioned tender amount of existing contract, potential contracts and submitted tenders of Lanon Development as at the Latest Practicable Date.

For the gross profit margin, the estimated gross profit margin of 8% is equivalent to the average of the gross profit margin of the Group in the past three financial years ended 31 March 2021, which ranges from approximately 4.0% to 10.1%.

The buffer of 20% on the total maximum annualised subcontracting fees for the three years ending 31 March 2025 caters for the potential change in costs for the Subcontracting Accepted Projects. In this regard, the Group took into account the fluctuation, provisional sums or contingencies of public works the Group has on hand ranging from 22% to 29% of relevant contract sums as the result of the variance on the scope of work, materials required, complexity of the work, contract period, etc., and took a prudent approach to base the 20% buffer close to the lower-end of such range.

Having considered above, the Director considered the proposed annual caps under Subcontracting Accepted Projects for each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025 is fair and reasonable.

### **THE FRAMEWORK CONTRACTING AGREEMENT**

On 18 February 2022 (after trading hours), the Company (for and on behalf of itself and any of its subsidiaries) (as the contractor) and Lanon Development (as the subcontractor) entered into the Framework Contracting Agreement, pursuant to which any member of the Group may engage Lanon Development as subcontractor from time to time in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

On 20 May 2022 (after trading hours), the Company (for and on behalf of itself and any of its subsidiaries) and Lanon Development entered into the Supplemental Contracting Agreement to extend the long stop date of the Framework Contracting Agreement to 15 June 2022. Save for the extension of the long stop date, all other terms and conditions of the Framework Contracting Agreement remain unchanged and in full force and effect in all respects.

Up to the Latest Practicable Date, no members of the Group has engaged Lanon Development as subcontractor in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

## LETTER FROM THE BOARD

Summarised below are the principal terms of the Framework Contracting Agreement:

**Date:** 18 February 2022 (as amended and supplemented by the Supplemental Contracting Agreement on 20 May 2022)

**Parties:** the Company (for and on behalf of itself and any of its subsidiaries) (as the contractor); and

Lanon Development (as the subcontractor).

Under the Framework Contracting Agreement, members of the Group may invite Lanon Development for quotations or tenders for the provision of the relevant sub-contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong. Whilst the principal business of the Group is engaged in provision of building construction and RMAA works in Hong Kong, the Company is given to understand that (i) for public work projects which require the contractor to have the licences or qualifications possessed by members of the Group, such members would be allowed to complete peripheral parts (e.g. civil engineering or other works that require other licences or qualifications that the Group does not possess) of these projects by cooperating with or engaging with other subcontractors, including Lanon Development; and (ii) albeit members of the Group would not be allowed to be the contractor for certain public works from government authorities without possessing the relevant licences or qualifications, certain private clients allow these contractors (despite not possessing such licences or qualifications on their own) to cooperate with or engage subcontractors possessing the relevant licences and qualifications in construction projects. Accordingly, relevant member of the Group as a contractor could also engage Lanon Development in providing civil engineering works as a subcontractor.

The Group will generally select the most suitable subcontractor(s) from the approved list of subcontractors based on their relevant skill sets, qualifications and experience, subject to their availability and fee quotations or tender documents received. The Group and its members are not bound to engage Lanon Development for quotations or tenders submitted by it and may engage other subcontractors.

In the event that any member of the Group accepts the quotation or tender provided by Lanon Development, such member shall acknowledge its acceptance of Lanon Development's quotation or tender by a written confirmation. Lanon Development shall carry out the works and the relevant member of the Group shall pay the subcontracting fees to Lanon Development in accordance with the relevant quotations or tenders (as submitted by Lanon Development) accepted (the "**Contracting Accepted Projects**").

### **Term**

Subject to the fulfilment of the condition precedent set out below, the term of the Framework Contracting Agreement shall commence from the date on which the Framework Contracting Agreement becomes unconditional to 31 March 2025, unless terminated earlier in accordance with the terms of the Framework Contracting Agreement.



## LETTER FROM THE BOARD

### Condition

The Framework Contracting Agreement and the obligations of the parties thereunder shall not become effective or binding upon the parties unless and until the passing of all resolutions by the Independent Shareholders (who are entitled to vote and not required to abstain from voting under the Listing Rules) at the EGM to approve the entering into the Framework Contracting Agreement by the Company (for and on its own behalf and any of its subsidiaries) and the performance of the transactions contemplated thereunder in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong and other applicable jurisdictions.

The long stop date for fulfilling the above condition shall be 15 June 2022 (or such later date as the parties of the Framework Contracting Agreement may agree). If the above condition is not fulfilled on or before such long stop date, the Framework Contracting Agreement shall be of no effect without the necessity for either party giving any notice to that effect and there shall be no claim under or in connection with the Framework Contracting Agreement by either party against the other.

### Pricing Policy

Under the Framework Contracting Agreement, the subcontracting fees payable by the Group to Lanon Development shall be arrived at after arm's length negotiations on normal commercial terms and shall be determined, on a project-by-project basis, by reference to, among other things, the following factors:

- (a) the prevailing market prices of materials and relevant cost of subcontracting services at the time of tendering for the Contracting Accepted Projects based on the Comparative Information and the competitive quotations from suppliers and/or subcontractors of the Group;
- (b) the scale, complexity and specifications of the projects, nature and amount of works to be performed, the capacity of Lanon Development, the estimated time required to complete the works and other technical project requirements under the Contracting Accepted Projects;
- (c) the historical fees received from independent third party subcontractors for similar scope of services performed for similar projects;
- (d) the fee level in the market and competitive conditions at the contract negotiation stage;
- (e) the terms (including payment terms and terms of service) previously entered into with independent third party subcontractors for similar scope of services performed for similar projects; and
- (f) the specification and level of risks involved in each Contracting Accepted Projects.

## LETTER FROM THE BOARD

In determining whether to accept the proposed terms for quotations or tenders to be submitted by Lanon Development to the relevant member of the Group for subcontracting projects:

- (i) the procurement department (as led by the Group's Chief Executive Officer who has over 25 years of experience in the construction industry in Hong Kong) will, at its best endeavour, obtain at least three independent quotations from its list of approved subcontractors either by invitation or by open-market tender. Such list of approved subcontractors is subject to periodic review and update by its management to ensure the subcontractors' quality standards;
- (ii) in reviewing the quotations and tenders submitted, the procurement department will generally take into account, inter alia, (a) the tender amount offered in the independent quotations or tenders obtained in paragraph (i) above and the Comparative Information, which together forms the basis of the prevailing market price for such project; (b) market reputation, past performance, relevant experiences and technical competencies of the subcontractors; (c) quality of service terms offered by the subcontractors; and (d) previous business relationship with the subcontractors, etc.. It is only when the price and terms offered by Lanon Development is on same (or better) terms and more favourable to the relevant member of the Group than the packages offered by Independent Third Party subcontractors and the prevailing market price that the relevant member of the Group would consider awarding the works to Lanon Development;
- (iii) pricing and other terms will be subject to review and sign off by both the procurement department and the executive Directors (except those with any conflict of interest), all with over 20 years of experience in the construction industry in Hong Kong, prior to awarding the works to Lanon Development; and
- (iv) The procurement department will proceed to award the tender to Lanon Development after having obtained approval from such executive Directors and the senior management, after taking into account the proposed terms for quotations or tenders submitted by all participating contractors (including Lanon Development and other Independent Third Party subcontractors) together with the Comparative Information.

## LETTER FROM THE BOARD

### Annual Caps

The Directors anticipate that the maximum amount of subcontracting fees payable by the Group to Lanon Development under the Framework Contracting Agreement for the years ending 31 March 2023, 31 March 2024 and 31 March 2025 shall not exceed the proposed caps of HK\$280 million, HK\$600 million and HK\$690 million, respectively. In determining the above proposed annual caps, the Directors have considered:

- (a) the historical project size of the Group required for independent third party subcontractor in providing relevant services for each of the past three (3) financial years;
- (b) the estimated amount of final subcontracting fees to be payable by the Group under the Contracting Accepted Projects for the years ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing subcontracting arrangements entered into by members of the Group with other third parties;
- (c) the estimated demand required from the Group for subcontracting services to be provided by Lanon Development for the year ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing contacts, potential contracts and submitted tenders of the Group; and
- (d) a buffer on the potential change in costs and estimated demand for subcontracting services to be provided by Lanon Development.

In determining the proposed annual caps under the Framework Contracting Agreement, the Group estimated that it would engage Lanon Development as a subcontractor in one Contracting Accepted Project each for a term of 24 months in each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025, in line with the Group's historical record in the past three financial years of projects with comparable contract sum with terms ranging from 20 months to 29 months. The proposed annual caps pursuant to the Framework Contracting Agreement are determined as follows:

- (i) for the proposed annual cap of HK\$280 million for the year ending 31 March 2023: the maximum annualised subcontracting fees of approximately HK\$230 million, (a) having estimated that the Group would engage Lanon Development as subcontractor in at least one Contracting Accepted Project for a term of 24 months for services commencing from the beginning of the year ending 31 March 2023 with the estimated initial contract sum of HK\$500 million to be recognised evenly throughout the estimated 24-month contract period and (b) having deducted the estimated 8% gross profit margin assuming the Group subcontracts most of the works under the Contracting Accepted Project(s) to Lanon Development and retain only the gross profit with 8% gross profit margin (such practice is not uncommon in the construction industry in Hong Kong) and (c) including a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$230 million for the year ending 31 March 2023;

## LETTER FROM THE BOARD

- (ii) for the proposed annual cap of HK\$600 million for the year ending 31 March 2024: (a) the maximum annualised subcontracting fees of approximately HK\$230 million carried from the ongoing Contracting Accepted Project(s) commenced in the year ending 31 March 2023, and including (b) the maximum annualised subcontracting fees of approximately HK\$265 million for at least one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months for services commencing from the beginning of the year and the total estimated contract sum of HK\$575 million (representing a 15% year-over-year growth of the estimated initial contract sum of HK\$500 million to be recognised evenly throughout the estimated 24-month contract period), having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the total maximum annualised subcontracting fees of approximately HK\$495 million for the year ending 31 March 2024; and
- (iii) for the proposed annual cap of HK\$690 million for the year ending 31 March 2025: (a) the maximum annualised subcontracting fees of approximately HK\$265 million carried from the ongoing Subcontracting Accepted Project(s) commenced in the year ending 31 March 2024, and including (b) the maximum annualised subcontracting fees of approximately HK\$304 million for at least one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months for services commencing from the beginning of the year and the total estimated contract sum of approximately HK\$611 million (representing a 15% year-over-year growth of the estimated contract sum of HK\$575 million to be recognised evenly throughout the estimated 24-month contract period), having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the total maximum annualised subcontracting fees of approximately HK\$569 million for the year ending 31 March 2025.

The estimated initial contract sum of HK\$500 million for the year ending 31 March 2023 was determined based on (a) the minimum group tender limit of HK\$400 million for Group C contractors pursuant to the Contractors Management Handbook of Development Bureau in Hong Kong and (b) the existing contracts, potential contracts and submitted tenders of the Group as at the Latest Practicable Date.

In determining the year-over-year growth rate of 15%, the Group having noted the potential increase in demand and tender amount in view of the long term development plan of the HKSAR Government, adopted a prudent approach to base the year-over-year growth rate to the increase in the amount allocated to public works programme (overall) of approximately 11.3% in The 2022-2023 Budget, with a slight upward adjustment to cater for the increase in the amount allocated to civil engineering works of approximately 28.3% and housing-related works of approximately 48.0% in The 2022-2023 Budget, respectively. After taking into account the year-over-year growth rate of 15%, the estimated contract sum for each of the year ending 31 March 2023, 31 March 2024 and 31 March 2025 falls within the range of the aforementioned tender amount of existing contracts, potential contracts and submitted tenders of the Group as at the Latest Practicable Date.

## LETTER FROM THE BOARD

For the gross profit margin, the estimated gross profit margin of 8% is equivalent to the average of the gross profit margin of the Group in the past three financial years ended 31 March 2021, which ranges from approximately 4.0% to 10.1%.

The buffer of 20% on the total maximum annualised subcontracting fees for the three years ending 31 March 2025 caters for the potential change in costs for the Contracting Accepted Projects. In this regard, the Group took into account the fluctuation, provisional sums or contingencies of public works the Group has on hand ranging from 22% to 29% of relevant contract sums as the result of the variance on the scope of work, materials required, complexity of the work, contract period, etc., and took a prudent approach to base the 20% buffer close to the lower-end of such range.

Having considered above, the Director considered the proposed annual caps under Contracting Accepted Projects for each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025 is fair and reasonable.

### **INFORMATION OF LANON DEVELOPMENT AND LANON HOLDINGS**

Lanon Development is a company incorporated in Hong Kong in November 1986 with limited liability. It is principally engaged in civil engineering works, building construction and RMAA works in Hong Kong. Lanon Development has recently completed one (1) RMAA project on hand with the accepted tendered amount of approximately HK\$428 million and it does not have any on-going projects on hand as at the Latest Practicable Date.

As at the Latest Practicable Date, the entire issued shares of Lanon Development is held by Lanon Holdings, which in turn is ultimately wholly and beneficially owned by Mr. WY NGAI. Lanon Holdings is a company incorporated in the British Virgin Islands which is an investment holding company as at the Latest Practicable Date.

### **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FRAMEWORK AGREEMENTS**

The Group is principally engaged in contract works business as a main contractor or sub-contractor, primarily in respect of building construction and RMAA works.

For the year ended 31 March 2021, the Group recorded revenue of approximately HK\$3.71 billion, representing a notable increase in revenue when compared to that of approximately HK\$1.55 billion for the year ended 31 March 2020 and HK\$2.39 billion for the year ended 31 March 2019, respectively.

## LETTER FROM THE BOARD

According to The Chief Executive's 2021 Policy Address, around 350 hectares of land has been identified by the HKSAR Government for additional supply of approximately 330,000 public housing units (which is increased from the estimated 316,000 units in The Chief Executive's 2020 Policy Address) for the coming 10-year period commencing year 2022/2023 to meet the estimated public housing demand. It is also mentioned in The Chief Executive's 2021 Policy Address that the HKSAR Government would strive to make available, through land sales and tender of railway property developments, approximately 170 hectares of land in the coming 10-year period for additional supply of approximately 100,000 private housing units, in addition to the other development projects undertaken by the Urban Renewal Authority and other private development projects. In addition, the HKSAR Government has introduced the idea of "The Northern Metropolis" in The Chief Executive's 2021 Policy Address which would include the provision of approximately 350,000 residential units through projects currently planned or under planning and an additional 600 hectares of land within the Northern Metropolis for residential and industrial purposes. The Group therefore anticipates that the long term development plan addressed in The Chief Executive's 2021 Policy Address will create ample opportunities (whether for public and private works) for the Group in the next 10 years.

In addition to the forecasted increase in public and private works, there will be an increase in demand for civil engineering works to further develop ancillary facilities (for example, transportation facilities and other infrastructure) to complement "The Northern Metropolis" and other development projects addressed in The Chief Executive's 2021 Policy Address. Based on the information available from the website of Development Bureau of the HKSAR Government, it is forecasted that there will be approximately 20 tenders in relation to civil engineering works for the year 2022 with the estimated tender amount each exceeding HK\$400 million.

Correspondingly, it is estimated approximately HK\$75.5 billion in the Capital Works Reserve Fund shall be allocated to public works programme in The 2022-2023 Budget of the HKSAR Government, representing an increase in the estimated amount of approximately HK\$67.8 billion allocated to the same category for the financial year 2021-2022. In particular, the amount allocated to civil engineering works and housing-related works increased to approximately HK\$6.5 billion (approximately HK\$5.1 billion for 2021-2022) in and approximately HK\$2.5 billion (approximately HK\$1.7 billion for 2021-2022) in The 2022-2023 Budget, respectively.

## LETTER FROM THE BOARD

Albeit the unexpected COVID-19 pandemic that first occurred in early 2020 inevitably took a toll on the business activities and economies in Hong Kong and around the globe, main contractors and subcontractors in the construction industry in Hong Kong have adopted measures as from time to time advised by the Department of Health to minimise disruptions and/or delays due to the on-going COVID-19 situation. Moreover, construction sites were not included as the “scheduled premises” that were required to be closed down or with business or activities carried on such premises being regulated under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F, the Laws of Hong Kong), and the gathering of construction workers at construction sites remained exempted under the Prevention and Control of Disease (Prohibition on Gathering) Regulation (Cap. 599G, the Laws of Hong Kong) as “gathering at a place of work for the purposes of work” as at the Latest Practicable Date. In case of any delays caused by the fifth wave of the COVID-19 pandemic, the Development Bureau also decided to grant an extension of time to eligible public works contracts and the building covenant period under land leases of private development projects that have fulfilled certain grant criteria by up to six months.

While the Group had not experienced any forced closures of construction sites or material delays in their construction projects due to the fifth wave of the COVID-19 pandemic, the Group continues to follow the preventive measures to minimise the spread of COVID-19 in its construction sites. With the HKSAR Government increasing the number of construction works and the allocated costs for the financial year 2022-2023 and the increase in revenue experienced by the Group during 2021, the Group considers that the construction industry is showing signs of recovery despite the on-going COVID-19 pandemic.

In consideration of anticipated growth in public works and increased housing supply in Hong Kong thanks to the long-term development plan of the HKSAR Government's infrastructure and housing projects and the signs of recovery shown by the construction industry in Hong Kong after local business activities have adapted to the challenges brought about by the COVID-19 pandemic, the Group believes that it is now a good time for the Company to expand and diversify its capabilities as a main contractor or sub-contractor of civil engineering works as well as building construction and RMAA works.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, Lanon Development has been approved or registered for carrying out building, civil engineering or specialist works under a number of lists of approved or registered contractors in Hong Kong. The following table illustrates the list of major licences and qualifications of the Group and Lanon Development in Hong Kong:

Authorities	Licences or qualifications	The Group	Lanon Development
Works Branch, Development Bureau	Buildings Category Group C (Confirmed)	✓	✓
	Port Works Category Group C (Confirmed)	-	✓
	Roads & Drainage Category Group C (Confirmed)	-	✓
	Site Formation Category Group C (Confirmed)	-	✓
	Waterworks Category Group C (Confirmed)	-	✓
	Plumbing Installation Category Group 2 (Probation)	✓	-
	Repair and Restoration of Historic Buildings – For works related to “Western Style Buildings” only	✓	-
	Turn-key Interior Design and Fitting-out Works Category Group I	✓	-
Buildings Department	General Building Contractors	✓	✓
	Site Formation Works	✓	-
	Foundation Works	✓	-
Hong Kong Housing Authority	List of Building Contractors Maintenance Works Category Group M2 (Probationary)	✓	✓
	List of Building Contractors New Works Category Group NW2 (Probationary)	-	✓
	List of Building Contractors New Works Category Group NW2 (Confirmed)	✓	-
	Decoration Contractors	✓	✓
MTR Corporation Limited	Approved Contractors for Civil & Building Works	-	✓
Housing Society	Building Works – List 2	✓	-
Urban Renewal Authority	Repair/Maintenance Works – Upper Tier	✓	-
Electrical and Mechanical Services Development	Registered Electrical Contractors (Electricity Ordinance)	✓	-

✓ Licences or qualifications possessed by the relevant company.



## LETTER FROM THE BOARD

As illustrated above, certain construction related licences and qualifications possessed by Lanon Development as at the Latest Practicable Date are not possessed by members of the Group. In particular, Lanon Development (but not members of the Group) is an approved Group C (Confirmed) contractor of the Works Branch of the Development Bureau of the HKSAR Government in four public works categories, being Port Works Category, Roads & Drainage Category, Site Formation Category and Waterworks Category, which allow Lanon Development to participate in tenders and take up public contracts of any values (including those exceeding HK\$400 million which would otherwise not be available to approved Group A and Group B contractors).

As mentioned above, the Group is principally engaged in contract works business as a main contractor or sub-contractor primarily in respect of building construction and RMAA works, and the Group believes that it is now a good time for it to expand and diversify its capabilities as a main contractor or sub-contractor, particularly with the construction industry in Hong Kong showing signs of recovery amid the COVID-19 pandemic.

With the Group and Lanon Development being approved or registered for carrying out building, civil engineering or specialist works under different lists of approved or registered contractors in Hong Kong which enable the Group and Lanon Development together can participate in all public and private works available in Hong Kong as illustrated above, it would be beneficial to the Group to further broaden its customer-base (including participating in projects from MTR or other large scale projects which the Group would not be able to participate unless with the relevant Group C (Confirmed) licences that only Lanon Development possesses) which could be reached by cooperating and cross-referring opportunities to one another with Lanon Development, either as the subcontractor under the Framework Subcontracting Agreement or as the contractor under the Framework Contracting Agreement.

The Group considers that it would be beneficial for the Group to enter into each of the Framework Subcontracting Agreement and the Framework Contracting Agreement so as to cooperate with and cross-referring opportunities to each other, as well as to provide a framework to regulate the transactions contemplated thereunder in compliance with the Listing Rules.

## LETTER FROM THE BOARD

Having considered above, the Directors (including the independent non-executive Directors whose recommendation is now contained in this circular after considering the advice from the Independent Financial Adviser, and excluding Mr. CH NGAI who abstained from voting due to his family relationship with Mr. WY NGAI and Mr. YAU who abstained from voting due to his family relationship with Mr. CH NGAI and Mr. WY NGAI<sup>(Note)</sup>) are of the view that the transactions contemplated under each of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) are in ordinary and normal course of business of the Group, the entering into of each of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) is in the interests of the Group, and the terms of each of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement, including but not limited to the proposed annual caps in respect of subcontracting fees payable by Lanon Development to the Group) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement, including but not limited to the proposed annual caps in respect of subcontracting fees payable by the Group to Lanon Development) are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

*Note:* Mr. CH NGAI is the father of Mr. WY NGAI; whereas Mr. YAU and Mr. CH NGAI are brothers-in-law and therefore is the uncle of Mr. WY NGAI.

### INTERNAL CONTROL MEASURES

To ensure that (a) the subcontracting fees charged by the Group pursuant to the Framework Subcontracting Agreement and (b) the subcontracting fees charged by Lanon Development pursuant to the Framework Contracting Agreement will be fair and reasonable and on normal commercial terms, the procurement department of the Group which conduct review quotations and tenders from independent third parties project-by-project basis will determine the prevailing service fees being charged by independent third parties under ordinary course of business for providing the required services or similar services in the Hong Kong to compile the Comparative Information as mentioned above. Such information compiled by the procurement department will assist the Group in implementing quantitative comparison on the pricing terms charged by third party subcontractors.

## LETTER FROM THE BOARD

As mentioned in the section headed “THE FRAMEWORK SUBCONTRACTING AGREEMENT — Pricing Policy”, when determining the subcontracting fees to be charged by any member of the Group pursuant to the Framework Subcontracting Agreement, the Group will ensure the pricing and other terms in the quotations or tenders to be submitted by such member to Lanon Development is on the same (or better) terms and not less favourable to the Group than the Comparative Information. Such terms will be reviewed and signed off by an executive Directors (except those with any conflict of interest) and the senior management prior to the submission of any tenders or proposals to Lanon Development on a project-by-project basis.

As mentioned in the section headed “THE FRAMEWORK CONTRACTING AGREEMENT — Pricing Policy”, when determining the subcontracting fees to be charged by Lanon Development pursuant to the Framework Contracting Agreement, the procurement department will review all the submitted tenders or quotations (including those from Lanon Development and other Independent Third Party subcontractors) to choose the most suited subcontractor for the job based on the proposed pricing and other terms, the experience and capacity. All the independent quotations or tenders submitted and the Comparative Information together forms the basis of the prevailing market price for such project. It is only when the price and terms offered by Lanon Development is on same (or better) terms and are more favourable to the relevant member of the Group than the packages offered by Independent Third Party and the prevailing market price that the relevant member of the Group would consider awarding the works to Lanon Development. Pricing and other terms will be subject to review and sign off by the senior management and by an executive Directors (except those with any conflict of interest) prior to awarding the works to Lanon Development.

Furthermore, in addition to the Group’s compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group’s continuing connected transactions, to ensure that the transactions contemplated under each of the Framework Agreements do not exceed the respective annual caps, the procurement department of the Group provide actual service fees incurred and latest estimation on the yearly transaction amounts for the continuing connected transactions at least quarterly. In the event that any of (a) the subcontracting fees charged or to be charged by the Group pursuant to the Framework Subcontracting Agreement and (b) the subcontracting fees charged or to be charged by Lanon Development pursuant to the Framework Contracting Agreement is expected to reach the respective annual cap, the procurement department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to such annual cap is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules.

## LETTER FROM THE BOARD

The Company also arranges compliance trainings for the Directors, senior management and staff from the relevant departments of the Company and its subsidiaries from time to time, primarily focusing on the rules relating to connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules.

In light of the above, the Directors consider that the aforementioned internal control measures could ensure that (a) the subcontracting fees charged by the Group pursuant to the Framework Subcontracting Agreement and (b) the subcontracting fees charged by Lanon Development pursuant to the Framework Contracting Agreement will be fair and reasonable and on normal commercial terms and not less favorable than those offered to or by the independent third parties.

### LISTING RULES IMPLICATION

#### **The Framework Subcontracting Agreement**

##### *Continuing Connected Transaction*

As at the Latest Practicable Date, the entire issued shares of Lanon Development is held by Lanon Holdings, which in turn is ultimately wholly and beneficially owned by Mr. WY NGAI.

As mentioned above, Mr. WY NGAI is the son of Mr. CH NGAI, the chairman, an executive Director and a controlling shareholder of the Company. Accordingly, Lanon Development is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the largest proposed annual caps in respect of the subcontracting fees payable from Lanon Development to the Group under the Framework Subcontracting Agreement are more than 5% and more than HK\$10 million, the entering into of the Framework Subcontracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **The Framework Contracting Agreement**

##### *Continuing Connected Transaction*

As mentioned above, Lanon Development is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the largest proposed annual caps in respect of the subcontracting fees payable from the Group to Lanon Development under the Framework Contracting Agreement are more than 5% and more than HK\$10 million, the entering into of the Framework Contracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### THE EGM

The EGM Notice is sent out on pages EGM-1 to EGM-4 of this circular. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder.

To determine the entitlement to attend and vote at the EGM to be held on 9 June 2022, Thursday, the register of shareholders of the Company will be closed from 6 June 2022, Monday to 9 June 2022, Thursday (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, unregistered holders of the Shares should ensure all share transfer documents accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 2 June 2022, Thursday.

A form of proxy is enclosed with this circular for use at the EGM. Whether or not you intend to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible, and in any event, no later than 48 hours before the time appointed for holding the EGM.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the Latest Practicable Date, Golden Lux Holdings Limited, a company indirectly, wholly and beneficially owned by Mr. CH NGAI, is interested in 1,500,000,000 Shares, representing 75% of the total number of issued Shares in the Company. Save as disclosed above, neither Lanon Holdings, Lanon Development, Mr. WY NGAI or Mr. CH NGAI is not interested in any other Shares or underlying Shares as at the Latest Practicable Date.

## LETTER FROM THE BOARD

In view of Mr. CH NGAI's family relationship with Mr. WY NGAI, Mr. CH NGAI and his associates (including Golden Lux Holdings Limited) will abstain from voting at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in each of (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder and is required to abstain from voting on the resolution of the Company in approving each of (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Framework Agreements. Ample Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement), the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder and as to voting.

### VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association, all votes of the Shareholders at general meetings of the Company must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hand. Accordingly, the chairman of the EGM will demand a poll for every resolution put to the vote at the EGM. The results of the poll will be published on the websites of The Stock Exchange and the Company as soon as possible in accordance with Rule 13.39 of the Listing Rules.

## LETTER FROM THE BOARD

### RECOMMENDATION

The Directors consider that:

- (i) the transactions contemplated under the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) are in the ordinary and usual course of business of the Group, the terms of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement, including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and
- (ii) the transactions contemplated under the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) are in the ordinary and usual course of business of the Group, the terms of the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement, including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder.

### GENERAL INFORMATION

Your attention is drawn to the information set out in the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**ABLE ENGINEERING HOLDINGS LIMITED**  
**CHEUNG Ho Yuen**  
*Executive Director and Chief Executive Officer*



**ABLE ENGINEERING HOLDINGS LIMITED**

**安保工程控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1627)**

24 May 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK SUBCONTRACTING  
AGREEMENT;  
(2) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK CONTRACTING AGREEMENT;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 24 May 2022 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider and to advise you as to whether, in our opinion, the terms of the (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Ample Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the Appendix to the Circular.



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of each of (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser from pages 32 to 67 of the Circular, we consider that:

- (i) the transactions contemplated under the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) are in the ordinary and usual course of business of the Group, the terms of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement, including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and
- (ii) the transactions contemplated under the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) are in the ordinary and usual course of business of the Group, the terms of the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement, including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Shareholders and the Company as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
*The Independent Board Committee of*  
**Able Engineering Holdings Limited**

**Prof. KO Jan Ming**

**Dr. LEE Man Piu Albert**

**Dr. LI Yok Sheung**

**Ms. MAK Suk Hing**  
*Independent Non-executive Directors*

**Mr. MONG Chan**

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

*The following is the full text of the letter of advice from the Independent Financial Adviser, Ample Capital Limited, to the Independent Board Committee and the Independent Shareholders in respect of the Framework Subcontracting Agreement and the Framework Contracting Agreement, which has been prepared for the purpose of inclusion in this circular.*

### **AmCap**

*Ample Capital Limited*

豐盛融資有限公司

Ample Capital Limited  
Unit A, 14th Floor  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

24 May 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK SUBCONTRACTING  
AGREEMENT; AND  
(2) CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE ENTERING INTO FRAMEWORK CONTRACTING AGREEMENT**

#### INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) and the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) and the transactions contemplated thereunder and as to voting, details of which are set out in the LETTER FROM THE BOARD (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 24 May 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 February 2022, Lanon Development (as the contractor) and the Company (for and on behalf of itself and any of its subsidiaries) (as the subcontractor) entered into the Framework Subcontracting Agreement, pursuant to which Lanon Development may engage any member of the Group as subcontractor from time to time in relation to the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

On 20 May 2022 (after trading hours), Lanon Development and the Company (for and on behalf of itself and any of its subsidiaries) entered into the Supplemental Subcontracting Agreement to extend the long stop date of the Framework Subcontracting Agreement to 15 June 2022. Save for the extension of the long stop date, all other terms and conditions of the Framework Subcontracting Agreement remain unchanged and in full force and effect in all respects.

On 18 February 2022, the Company (for and on behalf of itself and any of its subsidiaries) (as the contractor) and Lanon Development (as the subcontractor) entered into the Framework Contracting Agreement, pursuant to which any member of the Group may engage Lanon Development as subcontractor from time to time in relation to the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

On 20 May 2022 (after trading hours), the Company (for and on behalf of itself and any of its subsidiaries) and Lanon Development entered into the Supplemental Contracting Agreement to extend the long stop date of the Framework Contracting Agreement to 15 June 2022. Save for the extension of the long stop date, all other terms and conditions of the Framework Contracting Agreement remain unchanged and in full force and effect in all respects.

As at the Latest Practicable Date, the entire issued shares of Lanon Development is held by Lanon Holdings, which in turn is ultimately wholly and beneficially owned by Mr. WY NGAI.

As mentioned above, Mr. WY NGAI is the son of Mr. CH NGAI, the chairman, an executive Director and a controlling shareholder of the Company. Accordingly, Lanon Development is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the largest proposed annual caps in respect of the subcontracting fees payable from Lanon Development to the Group under the Framework Subcontracting Agreement are more than 5% and more than HK\$10 million, the entering into of the Framework Subcontracting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the largest proposed annual caps in respect of the subcontracting fees payable from members of the Group to Lanon Development under the Framework Contracting Agreement are more than 5% and more than HK\$10 million, the entering into of the Framework Contracting Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Framework Subcontracting Agreement, the Framework Contracting Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Framework Agreements. We, Ample Capital Limited, has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Subcontracting Agreement, the Framework Contracting Agreement and the transactions contemplated thereunder and as to voting.

### OUR INDEPENDENCE

We are not associated or connected with the Group, the counterparty of the Framework Agreements or their respective core connected persons or associates. We have also been engaged by the Company to act as the independent financial adviser to the Independent Board Committee in relation to the sale and purchase agreement dated 18 February 2022 entered into between Tregunter Global Limited (an indirect wholly-owned subsidiary of the Company) (as buyer), and Mr. CH NGAI (as seller) in relation to the acquisition of the entire issued share capital of Gain Capital Limited (the “**Other IFA Engagement**”). Aside from our engagement as the Independent Financial Adviser and our Other IFA Engagement, we have not provided any other services to the Group in the last two years prior to the Latest Practicable Date. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our Other IFA Engagement to opine on the acquisition of Gain Capital Limited is at market rate and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our Other IFA Engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s). As at the Latest Practicable Date, we did not have any relationships with or interests in the Group or any other parties that could reasonably be regarded as relevant to the independence of us.

### BASIS OF ADVICE

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Group.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Group. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the counterparty of the Framework Subcontracting Agreement and the Framework Contracting Agreement or any of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### A. BACKGROUND INFORMATION OF THE PARTIES

##### 1. Information on the Group

The Group is principally engaged in the contract works business, which mainly comprised building construction and repair, maintenance, alteration and addition (“RMAA”) works in Hong Kong.

Financial information of the Group (as extracted from the Group’s interim report for the six months ended 30 September 2021 and the annual report for the year ended 31 March 2021) is further discussed below.

##### a) *Financial results of the Group*

Set out below is a summary of the financial results of the Group for the years ended 31 March 2020 and 2021 (“FY2020” and “FY2021”) and the six months ended 30 September 2020 and 2021 (“6M2020” and “6M2021”) as extracted from the respective financial reports.

	For the year ended		For the six months ended	
	31 March		30 September	
	2020	2021	2020	2021
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue	1,547,841	3,705,241	1,411,491	2,001,876
Contract works for				
building construction	1,478,874	3,698,889	1,405,129	2,001,876
Contract works for				
RMAA works	68,967	6,352	6,362	–
Profit for the				
year/period	23,975	94,700	1,396	13,528

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

### 6M2020 vs 6M2021

As set out in the Interim Report of the Company for 6M2021 (the “**Interim Report**”), the Group’s revenue amounted to approximately HK\$2,001.9 million for 6M2021, representing an increase of approximately 41.8% as compared to that for 6M2020. With reference to the Interim Report, such increase in revenue was mainly due to the increase in revenue recorded from the contract works for building construction. The revenue recorded from the Group’s contract works for building construction amounted to approximately HK\$2,001.9 million for 6M2021, representing an increase of approximately 42.5% as compared to that for 6M2020.

As illustrated by the table above and with reference to the Interim Report, the Group recorded profit amounted approximately to HK\$13.5 million for 6M2021. Such profit was substantially increased by approximately 8.7 times as compared to that for 6M2020 mainly due to (i) the increase in revenue recorded from the contract works for building construction; and (ii) the increase in share of profits of joint ventures.

### FY2020 vs FY2021

As set out in the Annual Report of the Company for FY2021 (the “**Annual Report**”), the Group’s revenue amounted to approximately HK\$3,705.2 million for FY2021, representing an increase of approximately 139.4% as compared to that for FY2020. With reference to the Annual Report, such increase in revenue was mainly due to the increase in revenue recorded from the contract works for building construction. The revenue recorded from the Group’s contract works for building construction amounted to approximately HK\$3,698.9 million for FY2021, representing an increase of approximately 150.1% as compared to that for FY2020.

As illustrated by the table above and with reference to the Annual Report, the Group recorded profit amounted approximately to HK\$94.7 million for FY2021. Such profit was substantially increased by approximately 326.4% as compared to that for FY2020 mainly due to (i) the increase in revenue recorded from the contract works for building construction; (ii) the decrease in staff costs and administrative expenses; and (iii) the decrease in other expenses.

With reference to its annual reports, the Group has been incurring profit in the past years.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

b) *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 30 September 2021 as extracted from its interim report for 6M2021.

	<b>As at 30 September 2021</b> (unaudited) <i>HK\$'000</i>
Non-current assets	1,345,256
Current assets	1,540,763
Non-current liabilities	500,775
Current liabilities	1,072,173
Net assets	1,313,071

As at 30 September 2021, total assets of the Group amounted to approximately HK\$2,886.0 million, which mainly comprised (i) property, plant and equipment of approximately HK\$1,242.5 million; (ii) contract assets and account receivables of approximately HK\$967.5 million; (iii) cash and cash equivalents of approximately HK\$395.5 million, and (iv) restricted cash of approximately HK\$124.7 million.

As at 30 September 2021, total liabilities of the Group amounted to approximately HK\$1,572.9 million, which mainly comprised (i) account payables of approximately HK\$693.2 million; (ii) interest-bearing bank loans of approximately HK\$542.0 million; and (iii) other payables and accruals of approximately HK\$310.8 million.

As at 30 September 2021, the Group recorded net assets of approximately HK\$1,313.1 million.

### **2. Information on the Lanon Development**

Lanon Development is a company established in Hong Kong in November 1986 with limited liability, which is principally engaged in civil engineering works, building construction and RMAA works in Hong Kong. Lanon Development has recently compacted one (1) RMAA project on hand with the accepted tendered amount of approximately HK\$428 million and it does not have any on-going projects on hand.

As at the Latest Practicable Date, the entire issued shares of Lanon Development is held by Lanon Holdings, which in turn is ultimately wholly and beneficially owned by Mr. WY NGAI. Lanon Holdings is a company incorporated in the British Virgin Islands which is an investment holding company as at the Latest Practicable Date.

**B. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO FRAMEWORK AGREEMENTS**

**1. Principal terms of the Framework Agreements**

*a) Principal terms of the Framework Subcontracting Agreement*

On 18 February 2022 (after trading hours), Lanon Development (as the contractor) and the Company (for and on behalf of itself and any of its subsidiaries) (as the subcontractor) entered into the Framework Subcontracting Agreement, pursuant to which Lanon Development may engage the members of the Group as subcontractor from time to time in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

On 20 May 2022 (after trading hours), Lanon Development and the Company (for and on behalf of itself and any of its subsidiaries) entered into the Supplemental Subcontracting Agreement to extend the long stop date of the Framework Subcontracting Agreement to 15 June 2022. Save for the extension of the long stop date, all other terms and conditions of the Framework Subcontracting Agreement remain unchanged and in full force and effect in all respects.

Up to the Latest Practicable Date, Lanon Development has not engaged any members of the Group as subcontractor in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

Summarised below are the principal terms of the Framework Subcontracting Agreement:

**Date**

18 February 2022 (as amended and supplemented by the Supplemental Subcontracting Agreement on 20 May 2022)

**Parties**

- (i) Lanon Development (as the contractor); and
- (ii) the Company (for and on behalf of itself and any of its subsidiaries) (as the subcontractor)



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Under the Framework Subcontracting Agreement, Lanon Development may invite the members of the Group for quotations or tender for the provision of the relevant subcontracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong. Whilst the principal business of the Group is engaged in provision of building construction and RMAA works in Hong Kong, the Company is given to understand that certain clients allow contractors possessing the relevant licences and qualifications to cooperate with or engage subcontractors in construction projects, despite such subcontractors do not possess such licences or qualifications on their own. Accordingly, members of the Group could also be engaged by Lanon Development in providing civil engineering works as a subcontractor.

Lanon Development will generally select the most suitable subcontractor(s) from its approved list of subcontractors based on their relevant skill sets, qualifications and experience, subject to their availability and fee quotations or tender documents submitted. Lanon Development is not bound to engage any member of the Group for quotations or tender submitted by it and may engage other subcontractors.

In the event that Lanon Development accepts the quotation or tender provided by any member of the Group, Lanon Development shall acknowledge its acceptance of the quotation by a written confirmation. The relevant member of the Group shall carry out the works and Lanon Development shall pay the subcontracting fees in accordance with the relevant quotations or tenders (as submitted by the relevant member of the Group) accepted (the “**Subcontracting Accepted Projects**”).

### **Term**

Subject to the fulfilment of the condition precedent set out below, the term of the Framework Subcontracting Agreement shall commence from the date on which the Framework Subcontracting Agreement becomes unconditional to 31 March 2025, unless terminated earlier in accordance with the terms of the Framework Subcontracting Agreement.

### **Condition**

The Framework Subcontracting Agreement and the obligations of the parties thereunder shall not become effective or binding upon the parties unless and until the passing of all resolutions by the Independent Shareholders (who are entitled to vote and are not required to abstain from voting under the Listing Rules) at the EGM to approve the entering into the Framework Subcontracting Agreement by the Company (for and on its own behalf and any of its subsidiaries) and the performance of the transactions contemplated thereunder in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong and other applicable jurisdictions.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The long stop date for fulfilling the above condition shall be 15 June 2022 (or such later date as the parties of the Framework Subcontracting Agreement may agree). If the above condition is not fulfilled on or before such long stop date, the Framework Subcontracting Agreement shall be of no effect without the necessity for either party giving any notice to that effect and there shall be no claim under or in connection with the Framework Subcontracting Agreement by either party against the other

### **Pricing Policy**

Under the Framework Subcontracting Agreement, the subcontracting fees payable by Lanon Development to the Group shall be arrived at after arm's length negotiations on normal commercial terms and shall be determined, on a project-by-project basis, by reference to, among other things, the following factors:

- (a) the prevailing market prices of materials and relevant costs of subcontracting services at the time of tendering for the Subcontracting Accepted Projects based on the Comparative Information (as defined below) and the competitive quotations from suppliers and/or subcontractors of Lanon Development;
- (b) the scale, complexity and specifications of the projects, nature and amount of works to be performed, the capacity of the Group, the estimated time required to complete the works and other technical project requirements under the Subcontracting Accepted Projects;
- (c) the historical fees received from independent third party subcontractors for similar scope of services performed for similar projects;
- (d) the fee level in the market and competitive conditions at the contract negotiation stage;
- (e) the terms (including payment terms and terms of service) previously entered into with independent third party subcontractors for similar scope of services performed for similar projects; and
- (f) the specification and level of risks involved in each Subcontracting Accepted Projects.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Upon receipt of the tender package or tender booklet which usually contains the conditions of tender, specifications, schedule of rates and drawings, the Group's procurement department would be responsible for conducting preliminary preparation works for the quotation or tender submission which include reviewing tender documents in detail, ensuring that the Group and its staff have the requisite licences, qualifications and experience for handling the project, and understanding the project specifications, etc.

In determining the proposed terms for quotations or tenders to be submitted by relevant member of the Group to Lanon Development for subcontracting projects:

- (i) the procurement department, which is led by the Group's Chief Executive Officer who has over 25 years of experience in the construction industry in Hong Kong, will first invite Independent Third Party suppliers and service providers to provide quotations according to the nature and scope of work and the materials required by the project. This enables the procurement department to access the estimated project costs to be incurred;
- (ii) the procurement department will then prepare a preliminary assessment on project cost for review by the executive Directors and the senior management based on the quotations obtained in paragraph (i) above;
- (iii) the procurement department will refer to the information compiled by it in relation to the prevailing service fees being charged by Independent Third Party subcontractors under ordinary course of business for providing the required services or similar services in Hong Kong, in order to ensure the pricing and terms under the quotations or tenders submitted by relevant member of the Group to Lanon Development will be on the same (or better) terms and not less favourable to the Group than the fees payable by Independent Third Parties. Such information extracted from all quotations and tenders from Independent Third Party subcontractors submitted to the Group from time to time and the procurement department will refer to the latest information obtained from the projects with similar size and nature as the basis for the prevailing service fees in the market (the "**Comparative Information**"). The procurement department will update the Comparative Information at least once every six months and as soon as the Group obtains any quotations and tenders from Independent Third Party subcontractors;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (iv) the procurement department will set the quotation or tender price with reference to the Comparative Information and submit the proposed terms for quotations or tenders and the preliminary assessed project cost (including, among others, direct labour cost, subcontracting cost, material cost and insurance cost, as well as preliminary quotations from the construction materials suppliers and subcontractors), together with the Comparative Information, for the management's review; and
- (v) the executive Directors (except those with any conflict of interest) and the senior management involved in project management, all with over 20 years of experience in the construction industry in Hong Kong, will review the information from the procurement department and consider whether the profit margin (being the difference between the proposed terms for quotations or tenders and the preliminary assessed project costs) justifies the Group to participate the tender or quotation. The procurement department will proceed to submit quotation or tender documents to Lanon Development after having obtained approval from such executive Directors and senior management.

### **Annual Caps**

The Directors anticipate that the maximum amount of subcontracting fees payable by Lanon Development to the Group under the Framework Subcontracting Agreement for the years ending 31 March 2023, 31 March 2024 and 31 March 2025 shall not exceed the proposed caps of HK\$280 million, HK\$600 million and HK\$690 million, respectively. In determining the above proposed annual caps, the Directors have considered:

- (a) the historical project size of the Group in providing relevant services for each of the past three (3) financial years;
- (b) the estimated amount of final subcontracting fees to be received by the Group under the Subcontracting Accepted Projects for the years ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing subcontracting arrangements entered into by the members of the Group with other third parties;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (c) the estimated demand required from Lanon Development for subcontracting services to be provided by the Group for the year ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing contacts, potential contracts and submitted tenders of Lanon Development; and
- (d) a buffer on the potential change in costs and estimated demand for subcontracting services to be provided by the Group.

In determining the proposed annual caps under the Framework Subcontracting Agreement, the Group estimated that Lanon Development would engage member of the Group as a subcontractor in one Subcontracting Accepted Project each for a term of 24 months in each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025, in line with the Group's historical record in the past three financial years of projects with comparable contract sum with terms ranging from 20 months to 29 months. The proposed annual caps pursuant to the Framework Subcontracting Agreement are determined as follows:

- (i) *for the proposed annual cap of HK\$280 million for the year ending 31 March 2023:* the maximum annualised subcontracting fees of approximately HK\$230 million, (a) having estimated that Lanon Development would engage the Group as subcontractor in one Subcontracting Accepted Project for a term of 24 months for services commencing from the beginning of the year ending 31 March 2023 with estimated initial contract sum of HK\$500 million to be recognised evenly throughout the estimated 24-month contract period and (b) having deducted the estimated 8% gross profit margin assuming Lanon Development subcontracts most of the works under the Subcontracting Accepted Project(s) to the Group and retain only the gross profit with 8% gross profit margin (such practice is not uncommon in the construction industry in Hong Kong) and (c) including a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$230 million for the year ending 31 March 2023;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (ii) *for the proposed annual cap of HK\$600 million for the year ending 31 March 2024: (a) the maximum annualised subcontracting fees of approximately HK\$230 million carried from the ongoing Subcontracting Accepted Project(s) commenced in the year ending 31 March 2023, and including (b) the maximum annualized subcontracting fees of approximately HK\$265 million for one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months for services commencing from the beginning of the year and the total estimated contract sum of HK\$575 million (representing a 15% year-over-year growth of the estimated initial contract sum of HK\$500 million) to be recognised evenly throughout the estimated 24-month contract period, having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$495 million for the year ending 31 March 2024; and*
- (iii) *for the proposed annual cap of HK\$690 million for the year ending 31 March 2025: (a) the maximum annualised subcontracting fees of approximately HK\$265 million carried from the ongoing Subcontracting Accepted Project(s) commenced in the year ending 31 March 2024, and including (b) the maximum annualised subcontracting fees of approximately HK\$304 million for one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months with services commencing from the beginning of the year and the total estimated contract sum of approximately HK\$611 million (representing a 15% year-over-year growth of the estimated contract sum of HK\$575 million) to be recognised evenly throughout the estimated 24-month contract period, having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$569 million for the year ending 31 March 2025.*

The estimated initial contract sum of HK\$500 million for the year ending 31 March 2023 was determined based on (a) the minimum group tender limit of HK\$400 million for Group C contractors pursuant to the Contractors Management Handbook of Development Bureau in Hong Kong and (b) the existing contract, potential contracts and submitted tenders of Lanon Development as at the Latest Practicable Date with tender amount ranging from approximately HK\$428 million to approximately HK\$1.9 billion.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

In determining the year-over-year growth rate of 15%, the Group having noted the potential increase in demand and tender amount in view of the long term development plan of the HKSAR Government, adopted a prudent approach to base the year-over-year growth rate to the increase in the amount allocated to public works programme (overall) of approximately 11.3% in The 2022-2023 Budget, with a slight upward adjustment to cater for the increase in the amount allocated to civil engineering works of approximately 28.3% and housing-related works of approximately 48.0% in The 2022-2023 Budget, respectively. After taking into account the year-over-year growth rate of 15%, the estimated contract sum for each of the year ending 31 March 2023, 31 March 2024 and 31 March 2025 falls within the range of the aforementioned tender amount of existing contract, potential contracts and submitted tenders of Lanon Development as at the Latest Practicable Date.

For the gross profit margin, the estimated gross profit margin of 8% is equivalent to the average of the gross profit margin of the Group in the past three financial years ended 31 March 2021, which ranges from approximately 4.0% to 10.1%.

The buffer of 20% on the total maximum annualised subcontracting fees for the three years ending 31 March 2025 catering for the potential change in costs for the Contracting Accepted Projects. In this regard, the Group took into account the fluctuation, provisional sums or contingencies of public works the Group has on hand ranging from 22% to 29% of relevant contract sums as the result of the variance on the scope of work, materials required, complexity of the work, contract period, etc., and took a prudent approach to base the 20% buffer close to the lower-end of such range.

Having considered above, the Director considered the proposed annual caps under Subcontracting Accepted Projects for each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025 is fair and reasonable.

*b) Principal terms of the Framework Contracting Agreement*

On 18 February 2022 (after trading hours), the Company (for and on behalf of itself and any of its subsidiaries) (as the contractor) and Lanon Development (as the subcontractor) entered into the Framework Contracting Agreement, pursuant to which member of the Group may engage Lanon Development as subcontractor from time to time in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

On 20 May 2022 (after trading hours), the Company (for and on behalf of itself and any of its subsidiaries) and Lanon Development entered into the Supplemental Contracting Agreement to extend the long stop date of the Framework Contracting Agreement to 15 June 2022. Save for the extension of the long stop date, all other terms and conditions of the Framework Contracting Agreement remain unchanged and in full force and effect in all respects.

Up to the Latest Practicable Date, no members of the Group has engaged Lanon Development as subcontractor in respect of the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong.

Summarised below are the principal terms of the Framework Contracting Agreement:

### **Date**

18 February 2022 (as amended and supplemented by the Supplemental Contracting Agreement on 20 May 2022)

### **Parties**

- (i) the Company (for and on behalf of itself and any of its subsidiaries) (as the contractor); and
- (ii) Lanon Development (as the subcontractor)

Under the Framework Contracting Agreement, members of the Group may invite Lanon Development for quotations or tenders for the provision of the relevant sub-contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong. Whilst the principal business of the Group is engaged in provision of building construction and RMAA works in Hong Kong, the Company is given to understand that (i) for public work projects which require the contractor to have the licences or qualifications possessed by members of the Group, such members would be allowed to complete peripheral parts (e.g. civil engineering or other works that require other licences or qualifications that the Group does not possess) of these projects by cooperating with or engaging with other subcontractors, including Lanon Development; and (ii) albeit members of the Group would not be allowed to be the contractor for certain public works from government authorities without possessing the relevant licences or qualifications, certain private clients allow these contractors (despite not possessing such licences or qualifications on their own) to cooperate with or engage subcontractors possessing the relevant licences and qualifications in construction projects. Accordingly, relevant member of the Group as a contractor could also engage Lanon Development in providing civil engineering works as a subcontractor.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The Group will generally select the most suitable subcontractor(s) from the approved list of subcontractors based on their relevant skill sets, qualifications and experience, subject to their availability and fee quotations or tender documents received. The Group and its members are not bound to engage Lanon Development for quotations or tenders submitted by it and may engage other subcontractors.

In the event that any member of the Group accepts the quotation or tender provided by Lanon Development, such member shall acknowledge its acceptance of Lanon Development's quotation or tender by a written confirmation. Lanon Development shall carry out the works and the relevant member of the Group shall pay the subcontracting fees to Lanon Development in accordance with the relevant quotations or tenders (as submitted by Lanon Development) accepted (the "**Contracting Accepted Projects**").

### **Term**

Subject to the fulfilment of the condition precedent set out below, the term of the Framework Contracting Agreement shall commence from the date on which the Framework Contracting Agreement becomes unconditional to 31 March 2025, unless terminated earlier in accordance with the terms of the Framework Contracting Agreement.

### **Condition**

The Framework Contracting Agreement and the obligations of the parties thereunder shall not become effective or binding upon the parties unless and until the passing of all resolutions by the Independent Shareholders (who are entitled to vote and not required to abstain from voting under the Listing Rules) at the EGM to approve the entering into the Framework Contracting Agreement by the Company (for and on its own behalf and any of its subsidiaries) and the performance of the transactions contemplated thereunder in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong and other applicable jurisdictions.

The long stop date for fulfilling the above condition shall be 15 June 2022 (or such later date as the parties of the Framework Contracting Agreement may agree). If the above condition is not fulfilled on or before such long stop date, the Framework Contracting Agreement shall be of no effect without the necessity for either party giving any notice to that effect and there shall be no claim under or in connection with the Framework Contracting Agreement by either party against the other.

**Pricing Policy**

Under the Framework Contracting Agreement, the subcontracting fees payable by the Group to Lanon Development shall be arrived at after arm's length negotiations on normal commercial terms and shall be determined, on a project-by-project basis, by reference to, among other things, the following factors:

- (a) the prevailing market prices of materials and relevant costs of subcontracting services at the time of tendering for the Contracting Accepted Projects based on the Comparative Information and the competitive quotations from suppliers and/or subcontractors of the Group;
- (b) the scale, complexity and specifications of the projects, nature and amount of works to be performed, the capacity of Lanon Development, the estimated time required to complete the works and other technical project requirements under the Contracting Accepted Projects;
- (c) the historical fees received from independent third party subcontractors for similar scope of services performed for similar projects;
- (d) the fee level in the market and competitive conditions at the contract negotiation stage;
- (e) the terms (including payment terms and terms of service) previously entered into with independent third party subcontractors for similar scope of services performed for similar projects; and
- (f) the specification and level of risks involved in each Contracting Accepted Projects.

In determining whether to accept the proposed terms for quotations or tenders to be submitted by Lanon Development to the relevant member of the Group for subcontracting projects:

- (i) the procurement department (as led by the Group's Chief Executive Officer who has over 25 years of experience in the construction industry in Hong Kong) will, at its best endeavour, obtain at least three independent quotations from its list of approved subcontractors either by invitation or by open-market tender. Such list of approved subcontractors is subject to periodic review and update by its management to ensure the subcontractors' quality standards;

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- (ii) in reviewing the quotations and tenders submitted, the procurement department will generally take into account, inter alia, (a) the tender amount offered in the independent quotations or tenders obtained in paragraph (i) above and the Comparative Information, which together forms the basis of the prevailing market price for such project; (b) market reputation, past performance, relevant experiences and technical competencies of the subcontractors; (c) quality of service terms offered by the subcontractors; and (d) previous business relationship with the subcontractors, etc.. It is only when the price and terms offered by Lanon Development is on same (or better) terms and more favourable to the relevant member of the Group than the packages offered by Independent Third Party subcontractors and the prevailing market price that the relevant member of the Group would consider awarding the works to Lanon Development;
- (iii) pricing and other terms will be subject to review and sign off by both the procurement department and the executive Directors (except those with any conflict of interest), all with over 20 years of experience in the construction industry in Hong Kong, prior to awarding the works to Lanon Development; and
- (iv) the procurement department will proceed to award the tender to Lanon Development after having obtained approval from such executive Directors and the senior management, after taking into account the proposed terms for quotations or tenders submitted by all participating contractors (including Lanon Development and other Independent Third Party subcontractors) together with the Comparative Information.

### **Annual Caps**

The Directors anticipate that the maximum amount of subcontracting fees payable by the Group to Lanon Development under the Framework Contracting Agreement for the years ending 31 March 2023, 31 March 2024 and 31 March 2025 shall not exceed the proposed caps of HK\$280 million, HK\$600 million and HK\$690 million, respectively. In determining the above proposed annual caps, the Directors have considered:

- (a) the historical project size of the Group required for Independent Third Party subcontractor in providing relevant services for each of the past three (3) financial years;
- (b) the estimated amount of final subcontracting fees to be received by the Group under the Contracting Accepted Projects for the years ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing subcontracting arrangements entered into by the members of the Group with other third parties;
- (c) the estimated demand required from the Group for subcontracting services to be provided by Lanon Development for the year ending 31 March 2023, 31 March 2024 and 31 March 2025, taking into account the existing contacts, potential contracts and submitted tenders of the Group; and
- (d) a buffer on the potential change in costs and estimated demand for subcontracting services to be provided by Lanon Development.

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In determining the proposed annual caps under the Framework Contracting Agreement, the Group estimated that it would engage Lanon Development as a subcontractor in one Contracting Accepted Project each for a term of 24 months in each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025, in line with the Group's historical record in the past three financial years of projects with comparable contract sum with terms ranging from 20 months to 29 months. The proposed annual caps pursuant to the Framework Contracting Agreement are determined as follows:

- (i) *for the proposed annual cap of HK\$280 million for the year ending 31 March 2023: the maximum annualised subcontracting fees of approximately HK\$230 million, (a) having estimated that the Group would engage Lanon Development as subcontractor in one Contracting Accepted Project for a term of 24 months for services commencing from the beginning of the year ending 31 March 2023 with estimated initial contract sum of HK\$500 million to be recognised evenly throughout the estimated 24-month contract period and (b) having deducted the estimated 8% gross profit margin assuming the Group subcontracts most of the works under the Contracting Accepted Project(s) to Lanon Development and retain only the gross profit with 8% gross profit margin (such practice is not uncommon in the construction industry in Hong Kong) and (c) including a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$230 million for the year ending 31 March 2023;*
- (ii) *for the proposed annual cap of HK\$600 million for the year ending 31 March 2024: (a) the maximum annualised subcontracting fees of approximately HK\$230 million carried from the ongoing Contracting Accepted Project(s) commenced in the year ending 31 March 2023, and including (b) the maximum annualised subcontracting fees of approximately HK\$265 million for one new Subcontracting Accepted Project in the year ending 31 March 2024 for a term of 24 months, with services commencing from the beginning of the year and the total estimated contract sum of HK\$575 million (representing a 15% year-over-year growth of the estimated initial contract sum of HK\$500 million) to be recognised evenly throughout the estimated 24-month contract period, having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$495 million for the year ending 31 March 2024; and*

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- (iii) *for the proposed annual cap of HK\$690 million for the year ending 31 March 2025: (a) the maximum annualised subcontracting fees of approximately HK\$265 million carried from the ongoing Subcontracting Accepted Project(s) commenced in the year ending 31 March 2024, and including (b) the maximum annualised subcontracting fees of approximately HK\$304 million for one new Subcontracting Accepted Project in the year ending 31 March 2024, with a term of 24 months for services commencing from the beginning of the year and the total estimated contract sum of approximately HK\$611 million (representing a 15% year-over-year growth of the estimated contract sum of HK\$575 million) to be recognised evenly throughout the estimated 24-month contract period, having deducted the estimated 8% gross profit margin as illustrated above and (c) a 20% buffer on the maximum annualised subcontracting fees of approximately HK\$569 million for the year ending 31 March 2025.*

The estimated initial contract sum of HK\$500 million for the year ending 31 March 2023 was determined based on (a) the minimum group tender limit of HK\$400 million for Group C contractors pursuant to the Contractors Management Handbook of Development Bureau in Hong Kong and (b) the existing contracts, potential contracts and submitted tenders of the Group as at the Latest Practicable Date.

In determining the year-over-year growth rate of 15%, the Group having noted the potential increase in demand and tender amount in view of the long term development plan of the HKSAR Government, adopted a prudent approach to base the year-over-year growth rate to the increase in the amount allocated to public works programme (overall) of approximately 11.3% in The 2022-2023 Budget, with a slight upward adjustment to cater for the increase in the amount allocated to civil engineering works of approximately 28.3% and housing-related works of approximately 48.0% in The 2022-2023 Budget, respectively. After taking into account the year-over-year growth rate of 15%, the estimated contract sum for each of the year ending 31 March 2023, 31 March 2024 and 31 March 2025 falls within the range of the aforementioned tender amount of existing contracts, potential contracts and submitted tenders of the Group as at the Latest Practicable Date.

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For the gross profit margin, the estimated gross profit margin of 8% is equivalent to the average of the gross profit margin of the Group in the past three financial years ended 31 March 2021, which ranges from approximately 4.0% to 10.1%.

The buffer of 20% on the total maximum annualised subcontracting fees for the three years ending 31 March 2025 catering for the potential change in costs for the Contracting Accepted Projects. In this regard, the Group took into account the fluctuation, provisional sums or contingencies of public works the Group has on hand ranging from 22% to 29% of relevant contract sums as the result of the variance on the scope of work, materials required, complexity of the work, contract period, etc., and took a prudent approach to base the 20% buffer close to the lower-end of such range.

Having considered above, the Director considered the proposed annual caps under Contracting Accepted Projects for each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025 is fair and reasonable.

### **2. Reasons for and benefits of the entering into of the Framework Agreements**

The Group is principally engaged in contract works business as a main contractor or sub-contractor, primarily in respect of building construction and RMAA works.

It is noted that because of the increase of contract works for building construction, the Group is recording a notable increase in revenue for FY2021, where the Group recorded revenue of approximately HK\$3.71 billion as compared to that of approximately HK\$1.55 billion for FY2020 and HK\$2.39 billion for the year ended 31 March 2019, respectively.

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a) *The licences and qualifications*

As at the Latest Practicable Date, Lanon Development has been approved or registered for carrying out building, civil engineering or specialist works under a number of lists of approved or registered contractors in Hong Kong. The following table illustrates the list of major licences and qualifications of the Group and Lanon Development in Hong Kong:

Authorities	Licences or qualifications	The Group	Lanon Development
Work Branch, Development Bureau	Buildings Category Group C (Confirmed)	✓	✓
	Port Works Category Group C (Confirmed)	-	✓
	Roads & Drainage Category Group C (Confirmed)	-	✓
	Site Formation Category Group C (Confirmed)	-	✓
	Waterworks Category Group C (Confirmed)	-	✓
	Plumbing Installation Category Group 2 (Probation)	✓	-
	Repair and Restoration of Historic Buildings – For works related to “Western Style Buildings” only	✓	-
	Turn-key Interior Design and Fitting-out Works Category Group I	✓	-
Buildings Department	General Building Contractors	✓	✓
	Site Formation Works	✓	-
	Foundation Works	✓	-
Hong Kong Housing Authority	List of Building Contractors Maintenance Works Category Group M2 (Probationary)	✓	✓
	List of Building Contractors New Works Category Group NW2 (Probationary)	-	✓
	List of Building Contractors New Works Category Group NW2 (Confirmed)	✓	-
	Decoration Contractors	✓	✓
MTR Corporation Limited	Approved Contractors for Civil & Building Works	-	✓
Housing Society	Building Works – List 2	✓	-
Urban Renewal Authority	Repair/ Maintenance Works – Upper Tier	✓	-
Electrical and Mechanical Services Development	Registered Electrical Contractors (Electricity Ordinance)	✓	-

✓ Licences or qualifications possessed by the relevant company.



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As illustrated above, certain construction related licences and qualifications possessed by Lanon Development as at the Latest Practicable Date are not possessed by members of the Group. In particular, Lanon Development (but not members of the Group) is an approved Group C (Confirmed) contractor of the Works Branch of the Development Bureau of Hong Kong in four public work categories other than Buildings, being Port Works Category, Roads & Drainage Category, Site Formation Category and Waterworks Category, which allow Lanon Development to participate in tenders and take up contracts of any values. Details of each of the Four Group C Licences possessed by Lanon Development are set out in the below section.

*b) Details of the Four Group C Licences*

We have researched on the Four Group C Licences and noted that they are granted by the Works Branch, Development Bureau of Hong Kong to undertake government construction contracts of the respective works category.

Construction works category	Managing Department	Work nature
Port Works Category	Civil Engineering and Development Department	Marine works and structure works, include public piers, ferry piers, dolphins, reclamation, seawalls, breakwaters, pumphouses, beaches and associated marine facilities.
Roads & Drainage Category	Highways Department	Road network and highway structure works, include public roads, footways, lanes, roadside slopes, retaining walls, drainage structures and bridge and highway structures.
Site Formation Category	Civil Engineering and Development Department	Site formation and infrastructure works, include preparation of site for construction works which involves geotechnical report, site clearing, excavation, grading, compaction, building of land platforms.
Waterworks Category	Water Supplies Department	Waterworks nature which includes water supply systems for fresh and flushing water and water infrastructure, including catchwaters, tunnels, impounding reservoirs, water treatment works, pumping stations, service reservoirs and water mains.

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For public sector, not all contractors can take up the government projects. In order to tender for government contracts, a contractor must be accepted on the List of Approved Contractors for Public Works (the “**Contractors List**”) maintained by Development Bureau of Hong Kong. The Contractors List is divided into five categories, namely, Buildings, Port Works, Roads and Drainage, Site Formation and Waterworks. Generally, there are three groups in each of the works categories (arranged in ascending order), namely Group A, Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits. Lanon Development is an approved Group C (Confirmed) contractor of the Works Branch of the Development Bureau of Hong Kong in four public work categories other than Buildings as listed above, which allow Lanon Development to participate in tenders and take up contracts of any values (including those exceeding HK\$400 million which would otherwise not be available to approved Group A and Group B contractors).

*c) Market outlook of the Four Group C Licences*

As noted from the Letter from the Board, the Group believe that there will be a strong demand for civil engineering works, in particular contract works which would require the Four Group C Licences possessed by Lanon Development in consideration of anticipated growth in public works and increased housing supply in Hong Kong thanks to the long-term development plan of the HKSAR Government’s infrastructure and housing projects.

As extracted from the “The Chief Executive’s 2021 Policy Address”, (i) for public housing, the HKSAR Government has identified about 350 hectares of land to produce approximately 330,000 public housing units for the coming 10-year period (i.e. from year 2022-2023 to year 2031-2032), which is increased from the estimated 316,000 units in The Chief Executive’s 2020 Policy Address, to meet the estimated public housing demand; (ii) for private housing, in addition to development projects undertaken by the Urban Renewal Authority and other private land development projects, the HKSAR Government estimated to strive approximately 170 hectares of land in the coming ten years, and make available to the market sites for the production of about 100,000 residential units through land sales or putting up railway property developments projects for tender; and (iii) the HKSAR Government’s introduction of the idea of “The Northern Metropolis” in The Chief Executive’s 2021 Policy Address which would include the provision of approximately 350,000 residential units through projects currently planned or under planning and an additional 600 hectares of land within the Northern Metropolis could be developed for residential and industrial purposes with an estimated provision of about 165,000 to 186,000 residential units.

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In addition to the forecasted increase in public and private works, there will be an increase in demand for civil engineering works to further develop ancillary facilities (for example, transportation facilities and other infrastructure) to complement “The Northern Metropolis” and other development projects addressed in The Chief Executive’s 2021 Policy Address. Based on the information available from the website of Development Bureau of the HKSAR Government, it is forecasted that there will be approximately 20 tenders in relation to civil engineering works for the year 2022 with the estimated tender amount each exceeding HK\$400 million.

Correspondingly, it is estimated approximately HK\$75.5 billion in the Capital Works Reserve Fund shall be allocated to public works programme in The 2022-2023 Budget of the HKSAR Government, representing an increase of approximately 11.3% in the estimated amount from approximately HK\$67.8 billion allocated to the same category for the financial year 2021-2022. In particular, the amount allocated to civil engineering works and housing-related works increased by approximately 28.3% to approximately HK\$6.5 billion (approximately HK\$5.1 billion for 2021-2022) and increased by approximately 48.0% to approximately HK\$2.5 billion (approximately HK\$1.7 billion for 2021-2022) in The 2022-2023 Budget, respectively.

*d) Our view*

As mentioned in the Letter from the Board, the Group believes, and we concur, that it is currently a good time for the Company to expand and diversify its capabilities as a main contractor or sub-contractor of civil engineering works as well as building construction and RMAA works where the construction industry in Hong Kong shows signs of recovery amid the COVID-19 pandemic in view of the increase in the number of construction works with the HKSAR Government and the allocated costs for the financial year 2022-2023 and the increase in revenue experienced by the Group during 2021 and in consideration of anticipated growth in public works and increased housing supply in Hong Kong due to the long-term development plan of the HKSAR Government infrastructure and housing projects, as aforementioned in the previous section. We are of the view that large scale construction projects and demand for civil engineering works are expected to increase in the coming years and benefit the business prospects of both the Group and Lanon Development.

Taking into account of (i) the increase in the number of construction works with the HKSAR Government and the allocated costs for the financial year 2022-2023 and the increased in revenue experienced by the Group during 2021; and (ii) the licences and qualifications currently possessed by Lanon Development (but not by members of the Group) as discussed in the sections above, we concur with the management’s view that the construction industry is showing signs of recovery despite the on-going COVID-19 pandemic and we consider that the entering into for the Framework Agreements enables the Company to capture the anticipated growing market opportunities in a timely manner.

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With the Group and Lanon Development being approved or registered for carrying out building, civil engineering or specialist works under different lists of approved or registered contractors which enable members of the Group and Lanon Development together can participate in all public and private works available in Hong Kong as illustrated in the Letter of the Board, the Group believes, and we concur, that it would be beneficial to the Group to further broaden its customer-base (including participating in projects from MTR or other large scale projects which the Group would not be able to participate unless with the relevant Group C (Confirmed) licences that only Lanon Development possesses) which could be reached by cooperating and cross-referring opportunities to one another with Lanon Development, either as the subcontractor under the Framework Subcontracting Agreement or as the contractor under the Framework Contracting Agreement.

The Group considers, and we concur, that it would be beneficial for the Group to enter into each of the Framework Subcontracting Agreement and the Framework Contracting Agreement so as to cooperate with and cross-referring opportunities to each other, as well as to provide a framework to regulate the transactions contemplated thereunder in compliance with the Listing Rules.

### **3. Terms of the Framework Agreements**

In order to determine if the terms of each of the Framework Subcontracting Agreement and the Framework Contracting Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole, we have reviewed and discussed with the management of the Group the following factors:

- (a) the Framework Subcontracting Agreement enables Lanon Development to invite the members of the Group for quotations or tender for the provision of the relevant subcontracting services. While the Framework Contracting Agreement enables members of the Group to invite Lanon Development for quotations or tender for the provision of the relevant subcontracting services. As there is no minimum commitment, it would provide flexibility to Lanon Development and members of the Group when sourcing the most suitable subcontractors with favourable terms from the approved list of subcontractors based on their relevant skill sets, qualifications and experience, subject to their availability and fee quotations or tender documents received in the future. Each of Lanon Development and the Group is not bound to engage any member of the Group or Lanon Development for quotations or tender submitted by it and may engage other subcontractors;
- (b) the pricing policy of the Framework Subcontracting Agreement and the Framework Contracting Agreement are designed to ensure that the prices and terms offered by members of the Group to Lanon Development and by Lanon Development to members of the Group respectively are based on arm's length negotiations on normal commercial terms which are determined, on a project-by-project basis with reference to various market and competitive conditions; and

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- (c) in order to assess the fairness and reasonableness of the pricing policy, we have randomly selected and reviewed two existing projects which the Group has subcontracted certain works to other Independent Third Party subcontractors with subcontracting fees involved above HK\$100 million. We noted the following procedures are in place: (i) the Group invited at least three subcontractors on their list of approved subcontractors (which is subject to periodic review and update by its management to ensure the subcontractors' quality standards) to provide quotation; (ii) the Group provided information of the subcontracting services required, including scale, complexity and specifications of the projects, nature and amount of works to be performed, the estimated time required to complete the works and other technical project requirements for the invited subcontractors to prepare for their quotation; (iii) after closure of the tender, the procurement department conducted an overall assessment considering, including but not limited to, (a) the tender amount offered in the quotations or tenders, having compared with the Comparative Information; (b) market reputation, past performance, relevant experiences and technical competencies of the subcontractors; (c) quality of service terms offered by the subcontractors; and (d) previous business relationship with the subcontractors, etc. to determine which candidate offers the most favourable package to the Group; and (iv) based on the assessment result, pricing terms were reviewed and signed off by the procurement department, an executive Directors (except those with any conflict of interest) and other senior management involved in the project prior to awarding the works. We consider our review of the pricing policy based on our selection is appropriate, sufficient and representative. We noted that the pricing policy of the projects reviewed are similar to that of the Framework Subcontracting Agreement and the Framework Contracting Agreement. The management of the Group confirms that the Company will procure Lanon Development to adopt the internal controls no less stringent than those currently adopted by the Group to ensure the pricing policy as stipulated in the Framework Subcontracting Agreement will be applied accordingly. Given the above and the internal control measures discussed in the section headed "Internal control measures" in this Letter, we consider that the pricing policy adopted in the Framework Subcontracting Agreement and the Framework Contract Agreement can ensure that the terms of each individual transactions to be conducted will be not less favourable than those offered by Independent Third Parties subcontractors.

In light of the above analysis, we are of the view that the transaction contemplated under the Framework Subcontracting Agreement and the Framework Contracting Agreement are conducted on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

**4. Basis of the proposed annual caps for the Framework Agreements**

With reference to the Letter from the Board, the annual caps for the Framework Agreements for the three years ending 31 March 2025 were projected after taking into account of various factors, details of proposed annual caps and basis of determination are set out above the sections headed “Annual Caps”.

*Our analysis*

We have reviewed the annual caps calculation schedule for the Framework Agreements for the three years ended 31 March 2025. With a view to overall assess the fairness and reasonableness of the annual caps for the Framework Agreements for the three years ending 31 March 2025, we conducted the following analysis.

With reference to the Letter from the Board, we noted that the amounts of the proposed annual caps are the same and the assumptions used in determining the proposed annual caps are substantially identical between the Framework Subcontracting Agreement and the Framework Contracting Agreement. We consider that our analysis below is applicable to the Framework Agreements as a whole.

As there were no historical transactions between members of the Group and Lanon Development, when determining the reasonableness of the proposed annual caps, we consider that it is crucial to determine whether the proposed annual caps are projected with prudence in order to safeguard against any potential abuse in case the annual caps are set at an unrealistic level comparing to the scale of operation of the Group after the Completion of the Acquisition.

The annual caps are estimated based on the maximum amount of final subcontracting fees to be payable (i) by the Group to Lanon Development for the Framework Subcontracting Agreement; and (ii) by Lanon Development to the Group for the Framework Contracting Agreement for each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025, which are based on the total contract sum of estimated initial contract sum at HK\$500 million with an estimated year-over-year growth of 15% and assuming the Group (or Lanon Development) subcontracts most of the works under the Contracting Accepted Projects to Lanon Development (or the Subcontracting Accepted Projects to members of the Group) and retain only the gross profit with 8% gross profit margin. All the Subcontracting Accepted Projects and Contracting Accepted Projects would be completed in a period of 24 months assuming services to be commenced at the beginning of the year and rendered evenly during the contract period. It is also assumed that there would only be one Subcontracting Accepted Project and one Contracting Accepted Project in each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025.

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When determining the estimated initial contract sum of HK\$500 million, the Group has taken into account (i) the licences and qualifications possessed collectively by members of the Group and Lanon Development as approved Group C (Confirmed) contractors of the Works Branch of the Development Bureau of the HKSAR Government in five public works categories, which allow them to participate in tenders and take up contracts of any values, including those exceeding HK\$400 million which would otherwise not be available to approved Group A and Group B contractors; and (ii) during FY2020 and FY2021, for existing projects with contract sums below HK\$1 billion, the average historical contract sum amounted to approximately HK\$508 million, which is in line with the estimated initial contract sum of HK\$500 million. As a result, we considered that the estimated initial contract sum of HK\$500 million is justifiable.

We also noted that when comparing the overall average historical contract sum of existing projects of the Group for FY2020 and FY2021, which amounted to approximately HK\$3.7 billion, the proposed annual caps of HK\$280 million, HK\$600 million and HK\$690 million for the three years ending 31 March 2025 only accounted for a relatively small portion of the Group's operation. We have also reviewed a schedule provided by the Group with tender amount of the existing contracts, potential contracts and submitted tenders of Lanon Development as at the Latest Practicable Date with tender amount ranging from approximately HK\$428 million to approximately HK\$1.9 billion, and the estimated contract sum for each of the year ending 31 March 2023, 31 March 2024 and 31 March 2025 falls within such range. In determining the proposed annual caps, it is estimated that there would only be one Subcontracting Accepted Project and one Contracting Accepted Project in each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025, which we consider that they have been estimated with prudence. Therefore, we are of the view that, in such context, the annual caps of the Framework Agreements are projected with reasonable prudence.

We consider that the assumed year-over-year growth of 15% in the contract sum for contracts expected to be awarded by Lanon Development to the Group under the Framework Subcontracting Agreement and by the Group to Lanon Development under the Framework Contracting Agreement is reasonable due to (i) the anticipated growth in public works and increased housing supply in Hong Kong thanks to the long-term development plan of the HKSAR Government's infrastructure and housing projects as detailed in the section headed "Market outlook of the Four Group C Licences" in this Letter; and (ii) the Group recorded a strong growth in revenue of approximately 139.4% in FY2021 as compared to that of FY2020. In terms of contract sum for contracts expected to be awarded by Lanon Development to members of the Group under the Framework Subcontracting Agreement and by members of the Group to Lanon Development under the Framework Contracting Agreement, we consider that the assumed year-over-year growth of 15% in projecting the annual caps of the Framework Agreements is reasonable and the annual caps are projected with prudence given the potential increase in long-term market demand stated in the 2022-2023 Budget and that the Group's historical performance demonstrates their ability to capture opportunities for growth.

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Regarding the assumption that all the Subcontracting Accepted Projects and Contracting Accepted Projects would be completed in a period of 24 months assuming services to be commenced at the beginning of the year and rendered evenly during the contract period, we obtained a schedule prepared by the management of the Group showing the contract sum and period of all the Group's existing projects in FY2019, FY2020 and FY2021. We noted that there are two projects with contract sum ranged from HK\$300 million to HK\$700 million, which we consider to be comparable to the project size involved in the annual caps projection, and their average contract periods range from 20 months to 29 months. We also noted that other than the two projects mentioned above, all the remaining existing contracts have much higher contract sum of over HK\$1.5 billion and their contract periods range from 25 months to 53 months, which we consider to be less relevant. We discussed with the management of the Group about the result of our review, and we concur with the management's view that projects with larger contract sums in general have longer contract period and vice versa. In the context of estimating the contract period for the contracts expected to be awarded by Lanon Development to the Group under the Framework Subcontracting Agreement and by the Group to Lanon Development under the Framework Contracting Agreement, we consider that the assumption of 24 months to be in line with existing projects with comparable size and justifiable.

We noted that the gross profit margin of 8% used in the calculation of the annual caps is in line with the average gross profit margin of the Group for the FY2019, FY2020 and FY2021 of approximately 8.0%. Accordingly, we consider such gross profit margin assumption used in the estimation to be justifiable.

Furthermore, we noted that the Company has applied a buffer of 20% on the total maximum annualised subcontracting fees of approximately HK\$230 million, HK\$495 million and HK\$569 million for each of the years ending 31 March 2023, 31 March 2024 and 31 March 2025 respectively as an assumption for the determination of the annual caps. Having considered that such buffer was applied to account for, inter alia, (i) the fluctuation, provisional sums or contingencies of public works the Group has on hand ranging from 22% to 29% of relevant contract sums as the result of the variance of contract sums due to different scope of work, materials required, complexity of the works, contract period, etc. We obtained a schedule prepared by the management of the Group with initial contract sums of Group's existing public works and the schedule of the corresponding amount of fluctuation, provisional sums or contingencies. We reviewed the calculations of the above schedules, and we consider that the above range of fluctuation, provisional sums or contingencies of public works was calculated accurately. We concur with Group's view that they have taken a prudent approach to set the buffer at 20%, which is close to the lower-end of the range mentioned above; (ii) the unpredictable increase in actual demand on services which the Group and Lanon Development provide for each of the three years ending 31 March 2025; (iii) the unexpected increase in contract costs, including but not limited to cost of materials, staff costs and subcontracting costs for each of the three years



ending 31 March 2025; (iv) the variance of project commencement and completion time as there is potential variance in actual amount of services to be performed for each of the three years ending 31 March 2025 due to the works of the Subcontracting Accepted Project(s) or Contracting Accepted Project(s) may not be commenced at the beginning of a year and the works of each Subcontracting Accepted Project or Contracting Accepted Project may not be recognised evenly throughout the estimated 24-month contract period; and (v) we have conducted, on a best effort basis, independent research on 69 circulars published in 2022 up to the Latest Practicable Date in relation to continuing connected transaction by companies listed on the Main Board and GEM of The Stock Exchange. We noted that a buffer ranges from 3% to 25% was applied in 33 circulars when determining the annual cap for the continuing connected transaction. We therefore consider that the application of a 20% buffer to be acceptable.

Based on the above, we are of the view that the annual caps for the Framework Agreements are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **5. Internal control measures**

To ensure that (a) the subcontracting fees charged by the Group pursuant to the Framework Subcontracting Agreement and (b) the subcontracting fees charged by Lanon Development pursuant to the Framework Contracting Agreement will be fair and reasonable and on normal commercial terms, the procurement department of the Group which conduct review on quotations and tenders from Independent Third Parties on a project-by-project basis will determine the prevailing service fees being charged by Independent Third Parties under ordinary course of business for providing the required services or similar services in the Hong Kong to compile the Comparative Information as mentioned above. Such information compiled by the procurement department will assist the Group in implementing quantitative comparison on the pricing terms charged by third party subcontractors.

As mentioned in the section headed “THE FRAMEWORK SUBCONTRACTING AGREEMENT — Pricing Policy”, when determining the subcontracting fees to be charged by any member of the Group pursuant to the Framework Subcontracting Agreement, the Group will ensure the pricing and other terms in the quotations or tenders to be submitted by such member to Lanon Development is on the same (or better) terms and not less favourable to the Group than the Comparative Information. Such pricing terms will be reviewed and signed off by an executive Director (except those with any conflict of interest) and the senior management prior to the submission of any quotations or tenders or proposals on the pricing terms to Lanon Development.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

As mentioned in the section headed “THE FRAMEWORK CONTRACTING AGREEMENT — Pricing Policy”, when determining the subcontracting fees to be charged by Lanon Development pursuant to the Framework Contracting Agreement, the procurement department will review all the submitted tenders or quotations (including those from Lanon Development and other Independent Third Party subcontractors) to choose the most suited subcontractor for the job based on the proposed pricing and other terms, the experience and capacity. All the independent quotations or tenders submitted and the Comparative Information together forms the basis of the prevailing market price for such project. It is only when the price and terms offered by Lanon Development is on same (or better) terms and are more favourable to the relevant member of the Group than the packages offered by Independent Third Parties and the prevailing market price that the relevant member of the Group would consider awarding the works to Lanon Development. Pricing and other terms will be subject to review and sign off by the senior management and an executive Director (except those with any conflict of interest) prior to awarding the works to Lanon Development.

Furthermore, in addition to the Group’s compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group’s continuing connected transactions, to ensure that the transactions contemplated under each of the Framework Agreements do not exceed the respective annual caps, the procurement department of the Group provide actual service fees incurred and latest estimation on the yearly transaction amounts for the continuing connected transactions at least quarterly. In the event that any of (a) the subcontracting fees charged or to be charged by members of the Group pursuant to the Framework Subcontracting Agreement and (b) the subcontracting fees charged or to be charged by Lanon Development pursuant to the Framework Contracting Agreement is expected to reach the respective annual caps, the procurement department will follow up forthwith by reporting and proposing a response to the management of the Group, and in case that an amendment to such annual cap is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules.

The Company also arranges compliance trainings for the Directors, senior management and staff from the relevant departments of the Company and its subsidiaries from time to time, primarily focusing on the rules relating to connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

In light of the above, the Directors consider that the aforementioned internal control measures could ensure that (a) the subcontracting fees charged by the Group pursuant to the Framework Subcontracting Agreement and (b) the subcontracting fees charged by Lanon Development pursuant to the Framework Contracting Agreement will be fair and reasonable and on normal commercial terms and not less favorable than those offered to or by the Independent Third Parties.

We have assessed the internal control policy for continuing connected transaction of the Group by discussing with the management of the Group in relation to the internal control procedures and reviewing the internal control policy documents, and noted that the above measures will be implemented. Based on the above and the two samples of exiting projects we reviewed as mentioned in the section headed "Terms of the Framework Agreements" in this Letter, we consider that the internal control measures to be implemented by the Group are sufficient to safeguard the interests of the Company and the Shareholders as a whole.

### **6. Conclusion**

After considering, (i) that it would be beneficial to the Group to further broaden its customer-base which could be reached by cooperating with Lanon Development, either as the subcontractor under the Framework Subcontracting Agreement or as the contractor under the Framework Contracting Agreement; (ii) as there is no minimum commitment under the Framework Agreements, it would provide flexibility to the Group and Lanon Development when sourcing the most suitable subcontractors with favourable terms from their respective approved lists of subcontractors based on their relevant skill sets, qualifications and experience, subject to their availability and fee quotations or tender documents received in the future; (iii) the pricing policy of the Framework Agreements are designed to ensure that the prices and terms to be agreed between the relevant members of the Group and Lanon Development on each project are based on arm's length negotiations on normal commercial terms; (iv) the annual caps for the Framework Agreements are determined based on reasonable and prudent estimation; and (v) with reference to the Letter from the Board, the Group has adopted various internal control policies to supervise the potential continuing connected transactions. With the internal control policies of the Group as well as the stipulated requirements for continuing connected transaction of the Listing Rules shall be in place, the continuing connected transaction will be monitored and hence the interest of the Independent Shareholders can be safeguarded.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Having taken the above principal factors and reasons, we considered that (i) the transactions contemplated under each of the Framework Agreements are in the ordinary and usual course of business of the Group; (ii) the terms of each of the Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the entering into of each of the Framework Agreements is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps in respect of each of the Framework Agreements and the continuing connected transactions contemplated thereunder for the three years ending 31 March 2025 are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving each of the Framework Agreements and the continuing connected transactions contemplated thereunder and their respective annual caps.

### CONCLUSION

Having considered the above principal factors and reasons, we are of the view that:

- (i) the transactions contemplated under the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement) are in the ordinary and usual course of business of the Group, the terms of the Framework Subcontracting Agreement, as amended and supplemented by the Supplemental Subcontracting Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and
- (ii) the transactions contemplated under the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement) are in the ordinary and usual course of business of the Group, the terms of the Framework Contracting Agreement, as amended and supplemented by the Supplemental Contracting Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM in relation to (i) the Framework Subcontracting Agreement (as amended and supplemented by the Supplemental Subcontracting Agreement); and (ii) the Framework Contracting Agreement (as amended and supplemented by the Supplemental Contracting Agreement).

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**

**T.Y. Yeung**      **Jenny Law**  
*President*      *Vice President*

*Mr. T.Y. Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. T.Y. Yeung has over 13 years' experience in the corporate finance industry.*

*Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Jenny Law has over 10 years' experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

### (a) Interest in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required to be recorded in the register kept by the Company under section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and The Stock Exchange, were as follows:

#### *Long positions in the interest in the Shares*

Name of Directors and the chief executive	Capacity and nature of interests	Number of Shares interested	% of issued share capital of the Company as at the Latest Practicable Date
Mr. NGAI Chun Hung (Note)	Interest of controlled corporation	1,500,000,000	75.000
Mr. CHEUNG Ho Yuen	Personal	66,857	0.003
Mr. LAU Chi Fai, Daniel	Personal	300,000	0.015
Prof. KO Jan Ming	Personal	28,000	0.001

*Note:*

These Shares are legally and beneficially owned by Golden Lux Holdings Limited (“**Golden Lux**”, a company incorporated in the BVI with limited liability and the entire issued share capital of which is legally owned by Golden More Limited (“**Golden More**”, a company incorporated in the BVI and the entire issued share capital of which is legally and beneficially owned by Mr. CH NGAI)). Accordingly, Mr. CH NGAI is interested in the 1,500,000,000 Shares of the Company held by Golden Lux, under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required to be recorded in the register kept by the Company under Section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and The Stock Exchange.

**(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 March 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

**(c) Interests in contracts**

As at the Latest Practicable Date, save as the Gain Capital Agreement (as defined under “4. MATERIAL ACQUISITION AFTER 31 MARCH 2021”), no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Enlarged Group.

**(d) Interests in competing business**

As at the Latest Practicable Date, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group’s businesses.

**(e) Directors’ service contracts**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Enlarged Group which is not expiring or terminable by the relevant member of the Enlarged Group within one year without payment of compensation other than statutory compensation).

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

*Long positions in the interests in the Shares*

Name of Shareholders	Capacity and nature of interests	Number of Shares held	% of issued share capital of the Company as at the Latest Practicable Date
Golden Lux	Beneficial owner (Note (a))	1,500,000,000	75.00
Golden More	Interest in a controlled corporation (Note (a))	1,500,000,000	75.00
Ms. CHENG Wai Chun ("Ms. CHENG")	Interest of spouse (Note (b))	1,500,000,000	75.00

*Notes:*

- (a) Golden Lux is wholly-owned by Golden More. As such, Golden More is deemed to be interested in the 1,500,000,000 Shares owned by Golden Lux under the SFO.
- (b) Ms. CHENG is the spouse of Mr. CH NGAI. Ms. CHENG is deemed to be interested in the 1,500,000,000 Shares held by Golden Lux under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and the underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



#### 4. MATERIAL ACQUISITION AFTER 31 MARCH 2021

On 18 February 2022 (after trading hours), Tregunter Global Limited (an indirect wholly-owned subsidiary of the Company) (“**Tregunter Global**”) and Mr. CH NGAI entered into a sale and purchase agreement (the “**Gain Capital Agreement**”), pursuant to which Mr. CH NGAI had conditionally agreed to sell, and Tregunter Global had conditionally agreed to acquire, the entire issued share capital of Gain Capital Corporation Limited (“**Gain Capital**”, together with its subsidiary as the “**Gain Capital Group**”) and all such sum of money due to and owing by Gain Capital and its subsidiary to Mr. CH NGAI as at completion thereof at the total consideration of HK\$181,400,000. In accordance with the terms and conditions of the Gain Capital Agreement, the consideration was paid in cash by Tregunter Global to Mr. CH NGAI at completion of the acquisition on 5 May 2022. For details, please refer to the Company’s circular dated 31 March 2022 and the Company’s announcements dated 18 February 2022, 29 April 2022 and 5 May 2022.

On 18 February 2022 (after trading hours), Caulfield Global Limited (an indirect wholly-owned subsidiary of the Company) (“**Caulfield Global**”), Lanon Holdings and Mr. WY NGAI (being the ultimate beneficial owner of Lanon Holdings) as personal guarantor entered into a sale and purchase agreement (the “**Lanon Development Agreement**”), pursuant to which Lanon Holdings had conditionally agreed to sell, and Caulfield Global had conditionally agreed to acquire, the 50% of the entire issued share capital of Lanon Development at a consideration of HK\$125,000,000. In accordance with the terms and conditions of the Lanon Development Agreement, the consideration would be paid in cash by Caulfield Global to Lanon Holdings at completion of the acquisition. Subsequently, Caulfield Global, Lanon Holdings and Mr. WY NGAI on 5 May 2022 entered into a deed of termination (the “**Deed of Termination**”) to terminate the Lanon Development Agreement with immediate effect, and the acquisition therefore did not proceed to completion. For details, please refer to the Company’s announcements dated 18 February 2022 and 5 May 2022.

Save as disclosed above, members of the Group did not enter into or complete any agreement for material acquisition in which any Directors had any direct or indirect interest after 31 March 2021.

#### 5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

#### 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date:

- (a) the formal written offer dated 22 October 2020 from the Lands Department of the HKSAR Government which was accepted by the Company (for and on behalf of itself and any of its subsidiaries) with respect to the proposed modification of the lease of No. 7 Lai Yip Street, Kwun Tong, Kowloon, Hong Kong from industrial use to non-residential use, pursuant to which the Group paid a premium of HK\$554,570,000 in relation to such modification;
- (b) the Gain Capital Agreement;
- (c) the Lanon Development Agreement;
- (d) the Framework Subcontracting Agreement;
- (e) the Framework Contracting Agreement;
- (f) the Deed of Termination;
- (g) the Supplemental Subcontracting Agreement; and
- (h) the Supplemental Contracting Agreement.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statement of the Company were made up.

## 8. EXPERTS AND CONSENT

The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ample Capital Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, the above expert does not have any interest, direct or indirect, in any asset which has been, since 31 March 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, the above expert does not have any shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

## 9. GENERAL

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The head office and principal place of business of the Company is situated at No. 155 Waterloo Road, Kowloon Tong Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, which is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The secretary of the Company is Mr. MUI Siu Hong, who is a member of Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

## 10. DOCUMENTS PUBLISHED ON WEBSITES AND AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the website of The Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <https://www.ableeng.com.hk> for not less than fourteen (14) days before the date of the EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 30 to 31 of this circular;
- (b) the letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 32 to 67 of this circular;
- (c) this circular;
- (d) the Framework Subcontracting Agreement;
- (e) the Framework Contracting Agreement;
- (f) the Supplemental Subcontracting Agreement; and
- (g) the Supplemental Contracting Agreement.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



## ABLE ENGINEERING HOLDINGS LIMITED

### 安保工程控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1627)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (or any adjournment thereof) (the “EGM”) of Able Engineering Holdings Limited (the “Company”) will be held at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong on Thursday, 9 June 2022 at 10 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (unless otherwise indicated, capitalised terms used in this notice have the same meanings as defined in the circular of the Company dated 24 May 2022 (the “Circular”)):

### ORDINARY BUSINESS

1. “THAT:

- (a) the framework subcontracting agreement dated 18 February 2022 entered into between Lanon Development Limited as contractor and the Company (for and on behalf of itself and any of its subsidiaries) as subcontractor in relation to the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong (the “**Framework Subcontracting Agreement**”, a copy of which has been produced to the EGM marked as “A” and initialled by the chairman of the EGM for the purpose of identification), as amended and supplemented by the supplemental agreement to the Framework Subcontracting Agreement dated 20 May 2022 (the “**Supplemental Subcontracting Agreement**”, a copy of which has been produced to the EGM marked as “B” and initialled by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps under the Framework Subcontracting Agreement as set out in the Circular for each of the three years ending 31 March 2025 be and are hereby approved and confirmed; and

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the transactions mentioned in paragraphs (a) and (b) above, including where appropriate, agreeing to any non-material amendments to the Framework Subcontracting Agreement and any other agreements made in relation thereto to the extent permitted by the Listing Rules and the applicable laws and in the interests of the Company and its shareholders.”

### 2. “THAT:

- (a) the framework contracting agreement dated 18 February 2022 entered into between the Company (for and on behalf of itself and any of its subsidiaries) as contractor and Lanon Development Limited as subcontractor in relation to the provision of contracting services in relation to civil engineering works, building construction and RMAA works in Hong Kong (the “**Framework Contracting Agreement**”, a copy of which has been produced to the EGM marked as “C” and initialled by the chairman of the EGM for the purpose of identification), as amended and supplemented by the supplemental agreement to the Framework Contracting Agreement dated 20 May 2022 (the “**Supplemental Contracting Agreement**”, a copy of which has been produced to the EGM marked as “D” and initialled by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps under the Framework Contracting Agreement as set out in the Circular for each of the three years ending 31 March 2025 be and are hereby approved and confirmed; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the transactions mentioned in paragraphs (a) and (b) above, including where appropriate, agreeing to any non-material amendments to the Framework Contracting Agreement and any other agreements made in relation thereto to the extent permitted by the Listing Rules and the applicable laws and in the interests of the Company and its shareholders.”

Yours faithfully,  
By Order of the Board  
**ABLE ENGINEERING HOLDINGS LIMITED**  
**CHEUNG Ho Yuen**  
*Executive Director and Chief Executive Officer*

Hong Kong, 24 May 2022

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. A form of proxy for use at the EGM is enclosed herewith. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. However, if more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a Shareholder but must be present in person at the EGM to represent the Shareholder.
2. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, that one of the said persons so present whose name stands first on the register of shareholders of the Company in respect of such Share(s) shall alone be entitled to vote in respect thereof.
3. In order to be valid, the original form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM.
4. Completion and return of the proxy form in respect of the proposed resolutions for the EGM will not preclude a Shareholder from attending and voting in person at the EGM should he/she so wishes and in such event, his/her form for the EGM will be deemed to have been revoked.
5. To determine the entitlement to attend and vote at the EGM to be held on 9 June 2022, Thursday, the register of shareholders of the Company will be closed from 6 June 2022, Monday to 9 June 2022, Thursday (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, unregistered holders of the Shares should ensure all share transfer documents accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 2 June 2022, Thursday.
6. Detailed information on the business to be transacted at the EGM is set out in the Circular.
7. All proposed resolutions set out in this notice will be voted by way of a poll at the EGM as required under the Listing Rules. The poll results will be published on the website of the Company ([www.ableeng.com.hk](http://www.ableeng.com.hk)) and the website of The Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) following the EGM.
8. Shares abstained (if any) will not be counted in the calculation of the required majority.
9. The registration for attending the EGM will start at 9:45 a.m. on 9 June 2022, Thursday.
10. In the event that a gale warning (tropical cyclone no. 8 or above), post-super typhoon "extreme conditions" announcement, or black rainstorm warning is in effect at any time between 7:30 a.m. and 9:30 a.m. on the day of the EGM, the EGM may be postponed to a later date and/or time as determined by the Company. If postponed, the Company will, as soon as practicable, post an announcement on its website and on the website of The Stock Exchange to notify Shareholders that the EGM has been postponed (however, a failure to post such a notice shall not affect the postponement of such EGM). Shareholders should in any event exercise due care and caution when deciding to attend the EGM in adverse weather conditions.
11. As at the date hereof, the Board comprises four executive Directors, namely, Mr. NGAI Chun Hung (*Chairman*), Mr. CHEUNG Ho Yuen (*Chief Executive Officer*), Mr. LAU Chi Fai Daniel and Mr. YAU Kwok Fai; and five independent non-executive Directors, namely, Prof. KO Jan Ming, Dr. LEE Man Piu Albert, Dr. LI Yok Sheung, Ms. MAK Suk Hing and Mr. MONG Chan.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

12. To safeguard the health and safety of our attending Shareholders, staff and other stakeholders of the Company and to prevent the spreading of coronavirus disease (“COVID-19”) in Hong Kong, the Company will implement the following precautionary measures at the EGM:
- (a) entry to the EGM venue will only be allowed to the Shareholders, proxies or other attendees who do not have any symptoms of COVID-19, including runny nose, headache, cough, sore throat, and fever, and has passed body temperature test;
  - (b) no entry will be allowed to any Shareholder or proxy who is subject to mandatory quarantine order imposed by the HKSAR Government;
  - (c) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied into the EGM venue or be required to leave the EGM venue;
  - (d) each attendee is required to wear a surgical face mask properly throughout the EGM and inside the EGM venue, and to maintain a safe distance between seats. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own surgical face masks;
  - (e) seating at the EGM will be arranged to ensure social distancing. Accordingly, the Company may be necessary to limit the number of attendees in the EGM venue to avoid over-crowding;
  - (f) no refreshment will be served and no corporate gift will be distributed; and
  - (g) each attendee will be asked to declare, among others, whether within the 14-day period immediately before the EGM he/she (i) traveled outside of Hong Kong, (ii) is subject to any HKSAR Government prescribed quarantine, (iii) has any symptoms of COVID-19, and (iv) has close contact with anyone with confirmed or probable case of COVID-19. Anyone whose response is affirmative to any of these questions may be denied entry into the EGM venue or be required to leave the EGM venue.

To the extent allowed by law, the Company reserves the right to implement further precautionary measures, deny entry to the EGM venue or require any attendee to leave the EGM venue so as to ensure the health and safety of other attendees of the EGM.

Subject to the development of COVID-19 pandemic and the anti-epidemic measures imposed by the HKSAR Government, the Company may be required to change the EGM arrangements at short notice. In such event, the Company will, as soon as practicable, post an announcement on its website and on the website of The Stock Exchange to notify Shareholders of the revised arrangements.

The Company would like to remind all Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. The Company encourages Shareholders to consider appointing the chairman of the EGM as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the EGM, instead of attending the EGM in person.

13. The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.