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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 adviser.

If you have sold or transferred all your shares in Chinney Alliance Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CONNECTED TRANSACTIONS IN RELATION TO THE BUILDER'S WORKS AND THE M&E AND FAÇADE WORKS

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

六福金融
LUKFOOK FINANCIAL

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 20 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 21 and 22 of this circular. A letter from Luk Fook Capital, the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 23 to 34 of this circular.

A notice convening the SGM to be held at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong, on Monday, 28 November 2022 at 12:00 p.m., at which the Resolution as stated in the aforesaid notice will be considered, is set out on pages 40 and 41 of this circular.

A form of proxy for use at the SGM and at any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than 12:00 p.m. on Saturday, 26 November 2022, being not less than 48 hours before the time fixed for the SGM and any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and at any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE SGM

Please see pages i and ii of this circular for the precautionary measures to be implemented at the SGM to ensure the safety of the SGM attendees and to prevent the spreading of the coronavirus disease 2019 ("COVID-19") pandemic, which include without limitation:

1. mandatory wearing of surgical face masks (no mask will be provided at the SGM venue);
2. compulsory body temperature screening;
3. mandatory scanning of the "LeaveHomeSafe" venue QR code, comply with the requirements of the "Vaccine Pass Direction";
4. maintaining appropriate distancing and spacing between seats and in doing so, the Company may limit the number of the SGM attendees as may be necessary to avoid over-crowding; and
5. no distribution of corporate gifts and/or refreshments at the SGM.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Hong Kong government or has close contact with any person under quarantine; or (c) has a fever or any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the SGM venue at the absolute discretion of the Company to such extent permitted under law.

Shareholders are encouraged to appoint the chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

* For identification purpose only

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PRECAUTIONARY MEASURES FOR THE SGM

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

1. Every attendee of the SGM will be required to wear a surgical face mask properly throughout the SGM within the SGM venue, please note that no face masks will be provided at the SGM venue and attendees should bring and wear their own face masks;
2. Mandatory body temperature screening will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the SGM venue;
3. Mandatory scanning of the “LeaveHomeSafe” venue QR code, comply with the requirements of the “Vaccine Pass Direction” (as defined under the Prevention and Control of Disease (Vaccine Pass) Regulation (Cap. 599L of the Laws of Hong Kong));
4. Seating at the SGM venue will be arranged so as to allow for appropriate social distancing and spacing between seats and comply with the relevant requirement;
5. No corporate gifts and/or refreshments will be distributed at the SGM; and
6. Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Hong Kong government or has close contact with any person under quarantine; or (c) has a fever or any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the SGM venue at the absolute discretion of the Company to such extent permitted under law, to ensure the safety of the attendees at the SGM.

In addition, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM instead of attending the SGM in person, by completing and returning the proxy form attached to this circular.

Shareholders are requested (a) to consider carefully the risk of attending the SGM, which will be held in an enclosed environment, (b) to follow any prevailing requirements or guidelines of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the SGM; and (c) not to attend the SGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

PRECAUTIONARY MEASURES FOR THE SGM

The Company will closely monitor the development of the COVID-19 pandemic and ensure that the SGM will be conducted in compliance with the laws, regulations and measures introduced by the Hong Kong government from time to time. The Company may implement further changes and precautionary measures where necessary, and may issue further announcement on such measures as and when appropriate.

Shareholders are strongly encouraged to appoint the chairman of the SGM as their proxy to vote on the Resolution, instead of attending the SGM in person.

If any Shareholder chooses not to attend the SGM in person but has any question about the Resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question(s) or matter(s) in writing to our head office and principal place of business or to our email at general@chinneyhonkwok.com. If any Shareholder has any question relating to the SGM, please contact Tricor Tengis Limited, the Company's branch share registrar in Hong Kong as follows:

Tricor Tengis Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Architect”	AGC Design Limited, an independent architect engaged by the Employer in respect of the Project
“associates”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Builder’s Works”	<p>the builder’s works relating to the Project, including but not limited to:</p> <ul style="list-style-type: none">(i) demolition and removal from site of existing structures, canopies, partitions, finishes, fittings, furniture, etc. as necessary for the completion of the Project;(ii) mock-up works of sunken trench for testing the drainage system to the satisfaction of the Architect;(iii) design of windows, louvres, doors, waterproofing interfacing, transformer room cooperation, etc. and provision of shop drawings to the satisfaction of the Architect;(iv) provision of walls, partitions, doors, windows, louvres, waterproofing, finishes, fittings, etc. in accordance with the specifications as set out in the Builder’s Works Contract Documents;(v) provision of reinforced concrete slabs, steel beams, light weight concrete fill, structural screeds, etc. in accordance with the specifications as set out in the Builder’s Works Contract Documents;(vi) all builder’s works in connection with hoarding works, mechanical and electrical works, façade works, interior fitting out works and utilities companies as necessary to enable these specialist contractors to complete their respective works notwithstanding that the same may have not been shown in the Builder’s Works Contract Documents;

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(vii) any taking down/demolition, alteration, diversion, reinstatement and making good works as necessary for the completion of the Builder's Works; and

(viii) provision and subsequent removal of all protection works as necessary for the full protection of existing works to be remained and, if damaged, making good or replacement works disturbed all to the satisfaction of the Architect,

as more particularly set out in the Builder's Works Contract Documents

“Builder's Works Contract Documents”	the contract documents in respect of the Builder's Works to be entered into between the Employer and the Builder's Works Contractor in accordance with and substantially in the same form and substance as annexed to the Framework Agreement
“Builder's Works Contractor”	Chinney Construction Company, Limited (建業建築有限公司), a company incorporated under the Laws of Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“Building”	such building related to the Project, located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong
“Chinney Investments”	Chinney Investments, Limited (建業實業有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 216), and is the holding company of Hon Kwok and a substantial shareholder of the Company
“Chinney Investments Board”	the board of directors of Chinney Investments
“Chinney Investments Group”	Chinney Investments and its subsidiaries, excluding the Hon Kwok Group and the Group
“Companies”	collectively, Chinney Investments, Hon Kwok and the Company

DEFINITIONS

“Company”	Chinney Alliance Group Limited (建聯集團有限公司*), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 385)
“Conditions Precedent to the Framework Agreement”	the conditions precedent set out under the paragraph “Conditions Precedent to the Framework Agreement” in the Letter from the Board in this circular
“connected persons”	has the meaning given to it under the Listing Rules
“Contractors”	collectively the Builder’s Works Contractor and the M&E and Façade Works Contractor
“Director(s)”	the director(s) of the Company
“Dr. James Sai-Wing Wong”	Dr. James Sai-Wing Wong, the chairman and executive director of each of Chinney Investments, Hon Kwok and the Company
“Employer”	Honour Well Development Limited (漢匯發展有限公司), a company incorporated under the Laws of Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments
“Framework Agreement”	a framework agreement dated 26 September 2022 entered into between the Contractors and the Employer in relation to the Builder’s Works and the M&E and Façade Works
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hon Kwok”	Hon Kwok Land Investment Company, Limited (漢國置業有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 160)
“Hon Kwok Board”	the board of directors of Hon Kwok
“Hon Kwok Group”	Hon Kwok and its subsidiaries

* For identification purpose only

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising the four independent non-executive Directors formed for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Luk Fook Capital”	Luk Fook Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise Independent Board Committee and the Independent Shareholders in respect of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Dr. James Sai-Wing Wong together with his associates
“Independent Third Party(ies)”	party(ies) not connected with any of the directors, chief executive, substantial shareholders of each of the Company(ies) or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	3 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Laws”	includes the Listing Rules, all laws, bye-laws, rules, regulations, guidelines, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority whether or not <i>ejusdem generis</i> with any of the foregoing and the “Law” shall be construed accordingly
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Stop Date”	31 December 2022

DEFINITIONS

“M&E and Façade Works”	<p>the mechanical and electrical engineering works and façade works relating to the Project, including but not limited to:</p> <ul style="list-style-type: none">(i) demolition and removal from site of existing mechanical and electrical equipment, plumbing equipment, etc. as necessary for the completion of the M&E and Façade Works;(ii) design, supply, installation, testing, commissioning and maintenance of various installations including mechanical, ventilation and air-conditioning, electrical, fire services, plumbing and drainage in accordance with the specifications as set out in the M&E and Façade Works Contract Documents;(iii) design, supply and installation of cladding wall system, curtain wall system, façade features, louvres, windows, external doors, finishes, etc. in accordance with the specifications as set out in the M&E and Façade Works Contract Documents;(iv) any taking down/demolition, alteration, diversion, reinstatement and making good works as necessary for the completion of the M&E and Façade Works; and(v) provision and subsequent removal of all protection works as necessary for the full protection of existing works to be remained and, if damaged, making good or replacement works disturbed all to the satisfaction of the Architect, <p>as more particularly set out in the M&E and Façade Works Contract Documents</p>
“M&E and Façade Works Contract Documents”	<p>the contract documents in respect of the M&E and Façade Works to be entered into between the Employer and the M&E and Façade Works Contractor in accordance with and substantially in the same form and substance as annexed to the Framework Agreement</p>
“M&E and Façade Works Contractor”	<p>Shun Cheong Building Services Limited (順昌樓宇設施有限公司), a company incorporated under the Laws of Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company</p>

DEFINITIONS

“Parties”	the Contractors and the Employer, the parties to the Framework Agreement and a “Party” shall be construed accordingly
“Project”	the revamp of the Building with the Builder’s Works and the M&E and Façade Works inclusive
“Proposed CT”	the proposed connected transactions contemplated under the Framework Agreement
“Quantity Surveyor”	Rider Levett Bucknall Limited, an independent quantity surveyor engaged by the Employer in respect of the Project
“Resolution”	the proposed ordinary resolution approving the Proposed CT, the Framework Agreement and the transactions contemplated thereunder as referred to in the notice of SGM
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting to be convened by the Company for the purpose of, among other things, seeking approval from the Independent Shareholders in respect of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to it under the Listing Rules
“Total Contract Sum”	the aggregate of the contract sums respectively offered by the Builder’s Works Contractor and the M&E and Façade Works Contractor and the respective provisional sums under the Builder’s Works Contract Documents and the M&E and Façade Works Contract Documents, being the amount of not exceeding HK\$237,300,000 and represents the total costs to be incurred by the Employer in respect of the Project under the Framework Agreement
“%”	per cent

LETTER FROM THE BOARD



Executive Directors:

Dr. James Sai-Wing Wong (*Chairman*)
Mr. Yuen-Keung Chan (*Vice Chairman*
and Managing Director)
Mr. James Sing-Wai Wong
Mr. Philip Bing-Lun Lam

Independent Non-Executive Directors:

Mr. Chi-Chiu Wu
Mr. Ronald James Blake
Mr. Anthony King-Yan Tong
Ms. Dee-Dee Chan

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place of
Business:*

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

8 November 2022

To the Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTIONS IN RELATION TO THE BUILDER'S WORKS AND THE M&E AND FAÇADE WORKS

INTRODUCTION

Reference is made to the joint announcement of Chinney Investments, Hon Kwok and the Company dated 26 September 2022 in relation to, inter alia, the Employer, the Builder's Works Contractor and the M&E and Façade Works Contractor entered into the Framework Agreement, pursuant to which the Employer conditionally agreed to engage each of the Contractors, and respectively, the Builder's Works Contractor conditionally agreed to act as the contractor to carry out the Builder's Works for the Project at the contract sum of not exceeding HK\$96,300,000, and the M&E and Façade Works Contractor conditionally agreed to act as the contractor to carry out the M&E and Façade Works for the Project at the contract sum of not exceeding HK\$141,000,000.

* *For identification purpose only*

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Employer is an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, and each of the Builder's Works Contractor and the M&E and Façade Works Contractor is an indirect wholly-owned subsidiary of the Company. Chinney Investments is interested in approximately 68.09% and 29.10% of the issued shares of Hon Kwok and the Company, respectively. Dr. James Sai-Wing Wong is the chairman and the executive director of each of Chinney Investments, Hon Kwok and the Company, and he is beneficially interested in (a) approximately 62.02% of the issued shares of Chinney Investments; (b) approximately 69.72% of the issued shares of Hon Kwok (including those interests held through Chinney Investments); and (c) approximately 73.68% of the issued shares of the Company (including those interests held through Chinney Investments). Thus Chinney Investments, Hon Kwok and the Company are connected persons to one another within the meaning of the Listing Rules.

The entering into of the Framework Agreement constitutes a connected transaction for each of the Companies under the Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% and the Total Contract Sum is more than HK\$10 million, the Proposed CT constitute non-exempt connected transactions under Chapter 14A of the Listing Rules. It is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (a) further details of the Proposed CT; (b) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Proposed CT; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed CT; (d) a notice of the SGM; and (e) other information as required under the Listing Rules.

THE FRAMEWORK AGREEMENT

Date

26 September 2022 (after trading hours)

Parties to the Framework Agreement

- (a) the Employer (an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments);
- (b) the Builder's Works Contractor (an indirect wholly-owned subsidiary of the Company); and
- (c) the M&E and Façade Works Contractor (an indirect wholly-owned subsidiary of the Company).

LETTER FROM THE BOARD

Builder's Works

Pursuant to the Framework Agreement, the Employer conditionally engages the Builder's Works Contractor and the Builder's Works Contractor conditionally agrees to act as the contractor to carry out the Builder's Works for the Project at a contract sum (and subject to the provisional sums) on the terms and subject to the Conditions Precedent to the Framework Agreement, and on the terms and conditions as contained in the Builder's Works Contract Documents. The period of the Builder's Works is estimated to be approximately 490 calendar days.

The Builder's Works Contractor was selected through a tendering process in which three companies had submitted tenders to the Architect and the Quantity Surveyor for review and assessment. The contract sum for the Builder's Works represents the aggregate of (i) the amount offered by the Builder's Works Contractor under the lump sum fixed price tender, which is HK\$67,300,000; (ii) the prime cost sums for lift replacement works to be carried out by an independent lift sub-contractor, whose contract is pending on tendering procedure of the Employer and is currently estimated by the Quantity Surveyor to be HK\$8,000,000; and (iii) the provisional sums for (a) certain builder's works not yet quantified at the time of the tendering; and (b) the relevant contingencies in respect of the Builder's Works, in the total amount of not exceeding HK\$21,000,000.

M&E and Façade Works

Pursuant to the Framework Agreement, the Employer conditionally engages the M&E and Façade Works Contractor and the M&E and Façade Works Contractor conditionally agrees to act as the contractor to carry out the M&E and Façade Works for the Project at a contract sum (and subject to the provisional sums) on the terms and subject to the Conditions Precedent to the Framework Agreement, and on the terms and conditions as contained in the M&E and Façade Works Contract Documents. The period of the M&E and Façade Works is estimated to be approximately 490 calendar days.

The M&E and Façade Works Contractor was selected through a tendering process in which three companies had submitted tenders to the Architect and the Quantity Surveyor for review and assessment. The contract sum for the M&E and Façade Works represents the aggregate of (i) the amount offered by the M&E and Façade Works Contractor under the lump sum fixed price tender which is HK\$132,000,000; and (ii) the provisional sums for (a) town gas installation and façade lighting works not yet quantified at the time of the tendering; and (b) the relevant contingencies in respect of the M&E and Façade Works, in the total amount of not exceeding HK\$9,000,000.

LETTER FROM THE BOARD

The Total Contract Sum

The Total Contract Sum, being the total amount of not exceeding HK\$237,300,000, represents the maximum total costs to be incurred by the Employer in respect of the Project under the Framework Agreement. It is the aggregate of:

- (i) the tender sums offered by the Builder's Works Contractor and the M&E and Façade Works Contractor under their respective lump sum fixed price tenders of HK\$67,300,000 and HK\$132,000,000 respectively;
- (ii) the prime cost sums for lift replacement works to be carried out by an independent lift sub-contractor (as part of the Builder's Works), whose contract is pending on tendering procedure of the Employer and is currently estimated by the Quantity Surveyor to be HK\$8,000,000;
- (iii) the provisional sums for such works not yet quantified at the time of tendering and estimated by the Quantity Surveyor in respect of the Builder's Works and the M&E and Façade Works, in the amount of not exceeding HK\$11,000,000 and HK\$4,000,000 respectively; and
- (iv) the provisional sums for the relevant contingencies in respect of the Builder's Works and the M&E and Façade Works, in the amount of not exceeding HK\$10,000,000 and HK\$5,000,000 respectively.

The Project involves the revamp works of an existing building which includes, amongst others, structure strengthening, façade refurbishment, lift replacement, electrical and air-conditioning systems upgrade and drainage replacement. Unlike a new building project, such additions and alterations works on the Building have to take its actual circumstances and environment into account and is therefore impractical to determine in advance the precise extent of works and amount of materials required.

Under the Builder's Works Contract Documents, the provisional sums for such works not yet quantified at the time of tendering represented (i) the gondola and its associated builder's works, in an estimated amount of HK\$8,000,000; and (ii) the associated builder's works in connection with lift installation and window wall installation in an estimated amount of HK\$3,000,000. These associated builder's works mainly involve concrete rectification and structure strengthening and the extent of which could only be determined when such works are being carried out.

Under the M&E and Façade Works Contract Documents, the provisional sums for such works not yet quantified at the time of tendering represented (i) the façade lighting system in an estimated amount of HK\$3,000,000; and (ii) towngas installation cost in an estimated amount of HK\$1,000,000. At the time of tendering, the design for lighting and water heating system has not yet finalised and hence the relevant contract sums in respect of these two systems remain to be determined.

LETTER FROM THE BOARD

Nevertheless, the works not yet quantified at the time of tendering have a clearly defined scope with respect to both the Builder's Works and the M&E and Façade Works. It is out of the reasons elaborated above that each of the relevant provisional sums have to be presented by means of an estimated amount at the time of tendering. The Quantity Surveyor, based on the job nature and their experiences, provided the best estimates for the Employer's reference. For example, when estimating the provisional sums for the works not yet quantified under the Builder's Works, they have made references to the structural report of the Building and also discussed with the structural engineering consultant to determine the possible extensiveness of concrete rectification, structural strengthening and other finishing works associated with the installations of gondola, lift and window wall. The Quantity Surveyor then applied the current market rates for the materials and manpower from their database to calculate the overall costs for the above tasks. As to the provisional sums for the façade lighting system and town gas installation, the Quantity Surveyor estimated such amounts based on similar jobs for similar size of building they have encountered in the past.

Nevertheless, all the provisional sums of this kind are set out in the relevant invitation to tender to all tenderers. The actual costs for these works will be determined when they are completed after confirmation by the Architect, and verification and valuation by the Quantity Surveyor.

With respect to the contingencies relevant to both the Builder's Works and the M&E and Façade Works, such provisional sums are present in construction works, or additions and alterations works for the purpose of allowing flexibility to both the Employer and the Contractors on unforeseen or unforeseeable works as elaborated above. They are determined based on a percentage of the respective total contract sum and considered appropriate by the Quantity Surveyor after taking into account of the scopes of works under each of the Builder's Works and the M&E and Façade Works, the overall durations of the Project and also by references to other similar projects which the Quantity Surveyor has engaged in the past.

In any event, any claim by any of the Contractors under this category needs to be (i) confirmed by the Architect; and (ii) verified and evaluated by the Quantity Surveyor. In view of the above, the Board considers that the Total Contract Sum, including the provisional sums for the works not yet quantified at the time of tendering and the provisional sums for the relevant contingencies, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms of the Total Contract Sum

The Total Contract Sum shall be settled in the following manner:

(a) *Payment based on work done*

The Contractors shall submit payment applications on monthly basis with details of the works done and materials delivered as (i) verified and valued by the Quantity Surveyor; and (ii) certified by the Architect.

LETTER FROM THE BOARD

90% of such monthly certified amounts will be settled by the Employer within 28 calendar days after the submission of invoices and the Architect's certificates by the Contractors. 10% of such monthly certified amounts will be retained by the Employer as retention monies.

The retention monies retained by the Employer contemplated above are subject to a limit of 5% of the contract sums under the respective Builder's Works Contract Documents and the M&E and Façade Works Contract Documents, with the exclusion of the prime cost sums for lift replacement works to be carried out as part of the Builder's Works by an independent lift sub-contractor.

(b) *Retention monies*

50% of the retention monies shall be released to the Contractors after the Architect issues the substantial completion certificates for each of the Builder's Works and the M&E and Façade Works. The remaining 50% shall be paid by the Employer only after the expiration of the 12-months defect liability period and the issue of the defects rectification certificate by the Architect.

The payment terms of the Total Contract Sum are set out in the respective Builder's Works Contract Documents and the M&E and Façade Works Contract Documents, and such terms adopt the "Agreement & Schedule of Conditions of Building Contract for use in the Hong Kong Special Administrative Region, 2006 Edition" issued under the sanction of The Hong Kong Institute of Architects, The Hong Kong Institute of Construction Managers and The Hong Kong Institute of Surveyors. It is a standard form of building contract commonly adopted in construction industry in Hong Kong.

The payment terms as set out in the Builder's Works Contract Documents and the M&E and Façade Works Contract Documents are determined with reference to the aforementioned standard form of building contract, is considered a common industry practice to have monthly payments made to the Contractors to be after the completion of specific portions or percentage of works, which are to be examined, quantified and approved by independent professional parties.

The percentage figures prescribed in the above payment terms and set out in the Builder's Work Contract Documents and the M&E and Façade Works Contract Documents follow the sample percentage figures as stipulated in the aforementioned standard form of building contract and the "Practice Notes for Quantity Surveyors in relation to Valuation for Interim Payment Certificates" issued by the Hong Kong Institute of Surveyors in August 2014, for instance, amongst other things, 10% of the monthly certified amounts be retained by the Employer as retention monies subject to a limit of 5% of the contract sum and 50% of the retention money be released after the Architect issues the substantial completion certificates.

LETTER FROM THE BOARD

Based on the above, the Board considers that the payment terms of the Total Contract Sum are in line with common industry practice, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As to the Builder's Works Contractor and the M&E and Façade Works Contractor, the contract sums respectively offered by them to the Employer were determined based on the estimated project costs (including but not limited to machinery usage costs, direct labour costs, sub-contracting charges and construction materials costs) by reference to the prevailing market rates, and such pricing policy is also adopted in other contracts offered to other Independent Third Parties for similar works.

The Contractors have established standard internal pricing procedures to ensure proper pricing for all the tenders they submit, including the tendering of the Builder's Works and the M&E and Façade Works. In particular, after assessment and examination of all specifications in respect of the Builder's Works and the M&E and Façade Works as stipulated in the tender documents, the in-house staff of the Contractors have identified the principle materials and works required, such as concrete, formwork, electrical, air-conditioning and curtain wall, and obtained quotations from at least two independent suppliers/sub-contractors as reference to estimate the project costs of the Builder's Works and the M&E and Façade Works. Such cost estimation was counter-checked by the responsible contract manager or project manager to ensure that the unit rates of all major items applied for calculating the estimated costs are not lower than the unit rates obtained from the quotations of independent suppliers/sub-contractors. The contract manager or the project manager then worked with the director of the Contractors to determine a gross profit margin, which was based on a variety of factors including but not limited to project complexity and difficulty, current project pipeline, and availability of resources, on top of the estimated total project costs to arrive at the final tender sums.

The Board considers that such clear and hierarchical assignment of authority and responsibility could ensure the consistent application of the Contractors' internal control procedures on pricing policy and is satisfied that the tender sums were arrived at with reference to the prevailing market rates and is comparable to those offered to other Independent Third Parties for similar works.

Conditions Precedent to the Framework Agreement

The engagement of each of the Contractors by the Employer and the acceptance of such engagement by each of the Contractors, and the obligations of the Parties under the Framework Agreement are conditional upon:

- (a) the respective approval and authorisation of each of the Chinney Investments Board, the Hon Kwok Board and the Board regarding the entering into, the execution, delivery and performance of the Proposed CT, the Framework Agreement, all the transactions contemplated thereunder and any agreement ancillary thereto;

LETTER FROM THE BOARD

- (b) the passing by the independent shareholders of each of the Companies in their respective special general meeting or extraordinary general meeting(s) (as the case may be) by way of poll on the Resolution approving and authorising, amongst other things, the execution, delivery and performance of all the transactions contemplated under the Proposed CT, the Framework Agreement and any agreement ancillary thereto;
- (c) all requirements imposed by the Stock Exchange under the Listing Rules or otherwise, any relevant laws and regulations in connection with all the transactions contemplated by the Framework Agreement having been fully complied with; and
- (d) all waivers, consents, approvals or confirmations (as the case may be) of the Stock Exchange and any governing body for the transactions contemplated under the Framework Agreement, which are required or appropriate or in relation thereto, and all relevant waivers, consents, approvals or confirmations (as the case may be) required for the purposes of the Parties for the entry into and the implementation of the Framework Agreement having been obtained.

None of the above conditions precedent can be waived by any of the Contractors or the Employer. As at the Latest Practicable Date, paragraph (a) of the above conditions precedent have been fulfilled. It is expected that paragraphs (b), (c) and (d) of the above conditions precedent will be fulfilled upon the passing of the Resolution at the SGM.

The Parties shall use their reasonable endeavours to procure that the Conditions Precedent to the Framework Agreement shall be fulfilled on or before the Long-Stop Date.

If the Conditions Precedent to the Framework Agreement have not been fulfilled by the Long-Stop Date, or such other date as the Parties may agree in writing (time in either case being of the essence), then save in respect of any antecedent breach of the Framework Agreement, all rights and liabilities of the Parties shall cease and no Party shall have any claim against the other Parties.

INFORMATION OF THE COMPANIES

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is mainly engaged in trading of plastics and chemical products; provision of building related contracting services; provision of foundation piling works and sub-structure works; provision of construction works; distribution and installation of aviation system and other high-tech products and property holding and development.

Chinney Investments is an investment holding company incorporated in Hong Kong with limited liability. Chinney Investments Group (excluding the Hon Kwok Group and the Group) is mainly engaged in properties investment and investment holding.

LETTER FROM THE BOARD

Hon Kwok is an investment holding company incorporated in Hong Kong with limited liability. Hon Kwok Group is mainly engaged in property development, property investment and property related businesses.

INFORMATION OF THE PARTIES TO THE FRAMEWORK AGREEMENT

Honour Well Development Limited, being the Employer of the Framework Agreement and a company incorporated under the Laws of Hong Kong with limited liability, is an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments. It is the owner of the Building and is principally engaged in property holding and letting in Hong Kong.

Chinney Construction Company, Limited, being the Builder's Works Contractor of the Framework Agreement and a company incorporated under the Laws of Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company. It is a general building contractor principally engaged in the provision of building construction works and services to the public and private sectors in Hong Kong.

Shun Cheong Building Services Limited, being the M&E and Façade Works Contractor of the Framework Agreement and a company incorporated under the Laws of Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company. It is a contractor principally engaged in multi-discipline building services, including but not limited to mechanical and electrical engineering and general building maintenance.

REASONS FOR AND BENEFITS OF THE PROPOSED CT

The Group has been engaging in construction works, foundation construction works, and building related contracting services in Hong Kong for many years. The management of the Group considers that the submission of the tenders and the acceptance of them (if being awarded) relating to the Builder's Works and the M&E and Façade Works are within its normal course of businesses. The contract sums respectively offered to the Employer were determined based on the estimated project costs (including machinery usage costs, direct labour costs, sub-contracting charges and construction materials costs) by reference to the prevailing market rates, and such pricing policy is also adopted in other contracts offered to other Independent Third Parties by the respective Contractors for similar works.

The conditional engagement by the Employer and the conditional acceptance by the Contractors to act as the contractors to carry out the Builder's Works and the M&E and Façade Works represent activities within the ordinary and usual course of businesses of each of the Chinney Investments Group, the Hon Kwok Group and the Group. The terms of the Framework Agreement were arrived at by each of the Contractors and the Employer after arm's length negotiations.

LETTER FROM THE BOARD

In light of the above, the Board (including the independent non-executive Directors after taking into account the advice from the Independent Financial Adviser) considers that the terms of the Framework Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Under the bye-laws of the Company, a Director should not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he/she is to his/her knowledge materially interested. Accordingly, Dr. James Sai-Wing Wong has not voted or been counted in the quorum on the resolutions of the Board approving the Framework Agreement. Mr. James Sing-Wai Wong, being the son of Dr. James Sai-Wing Wong, has also abstained from voting on the said resolutions of the Board voluntarily for the purpose of good corporate governance.

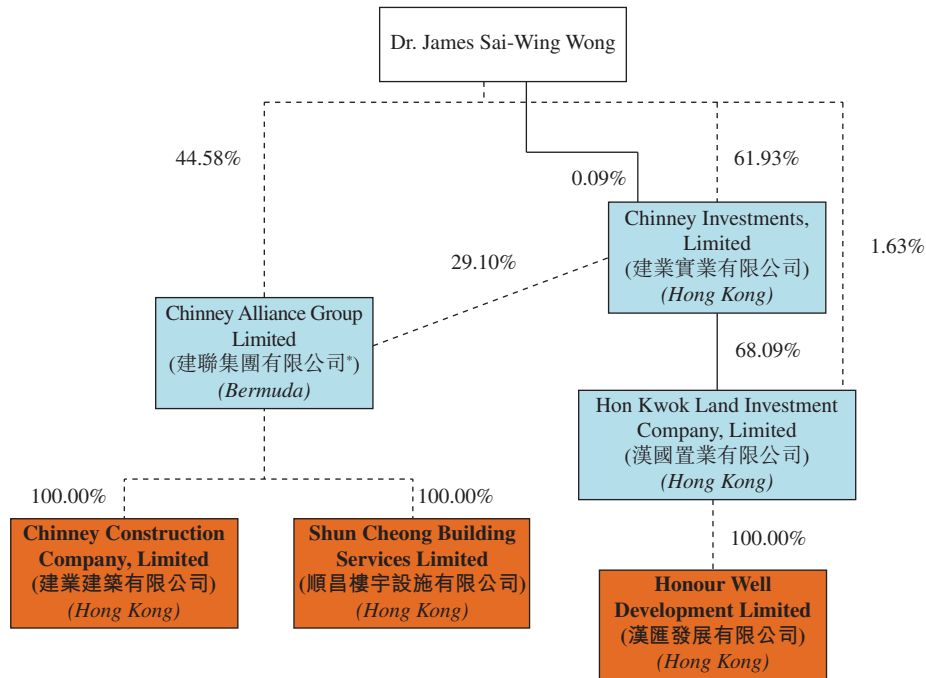
Save and except for the above Directors having abstained from voting on the respective resolutions of the Board approving the Framework Agreement, to the best of the Directors' knowledge, information and belief, after having made reasonable enquiries, none of the Directors has any material interest in the Framework Agreement and are required to abstain from voting (or be disregarded in the quorum) on the respective resolutions of the Board approving the same.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Employer is an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, and each of the Builder's Works Contractor and the M&E and Façade Works Contractor is an indirect wholly-owned subsidiary of the Company. Chinney Investments is interested in approximately 68.09% and 29.10% of the issued shares of Hon Kwok and the Company respectively. Dr. James Sai-Wing Wong is the chairman and the executive director of each of Chinney Investments, Hon Kwok and the Company, and he is beneficially interested in (a) approximately 62.02% of the issued shares of Chinney Investments; (b) approximately 69.72% of the issued shares of Hon Kwok (including those interests held through Chinney Investments); and (c) approximately 73.68% of the issued shares of the Company (including those interests held through Chinney Investments). Thus, Chinney Investments, Hon Kwok and the Company are connected persons to one another within the meaning of the Listing Rules.

LETTER FROM THE BOARD

The relationships of Dr. James Sai-Wing Wong, the Parties and the Companies are set out in the structure chart below:



* For identification purpose only

Notes:

1. - - - - - represents indirect shareholding interests.
2. ——— represents direct shareholding interests.
3. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Accordingly, the entering into of the Framework Agreement constitutes a connected transaction for each of the Companies under the Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% and the Total Contract Sum is more than HK\$10 million, the Proposed CT constitute non-exempt connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened and held at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong on Monday, 28 November 2022 at 12:00 p.m. to consider and, if thought fit, to approve the Resolution to be proposed at the SGM. A notice convening the SGM is set out on pages 40 and 41 of this circular.

LETTER FROM THE BOARD

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder, together with his/her/its associates, who has a material interest in the Proposed CT, the Framework Agreement and the transactions contemplated thereunder, shall abstain from voting on the Resolution regarding the same at the SGM.

As at the Latest Practicable Date, Dr. James Sai-Wing Wong together with his associates will be required to abstain from voting on the Resolution. Dr. James Sai-Wing Wong is currently indirectly holding 438,334,216 shares of the Company, representing approximately 73.68% of the issued shares of the Company (including those interests held through Chinney Investments). Save as aforementioned, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, no other Shareholder has a material interest in the Proposed CT and therefore no other Shareholder is required to abstain from voting at the SGM.

There is a form of proxy for use at the SGM accompanying this circular. If you are not able to attend the SGM and any adjournment thereof, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event no later than 12:00 p.m. on Saturday, 26 November 2022, being not less than 48 hours before the time fixed for the SGM and any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and at any adjournment thereof should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, the proposed Resolution regarding the Proposed CT, the Framework Agreement and the transactions contemplated thereunder as set out in this circular and the notice of the SGM will be voted on by way of poll except where the chairman of the SGM, in good faith, decide to allow a resolution which relates purely to procedural or administrative matter to be voted on by a show of hands. The chairman of the SGM will at the meeting demand, pursuant to bye-law 66(2)(a) of the bye-laws of the Company, voting by way of poll on the Resolution. On a poll, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the bye-laws of the Company, every Shareholder present in person (or being a corporation, is present by a representative duly authorised), or by proxy shall have one vote for every fully paid share of which he/she is the holder. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

INDEPENDENT FINANCIAL ADVISER

Luk Fook Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder. The appointment of Luk Fook Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

CLOSURE OF REGISTER OF MEMBERS FOR THE SGM

For the purpose of determining the entitlement to attend and vote at the SGM to be held on Monday, 28 November 2022 (and at any adjournment thereof), the register of members of the Company will be closed from Wednesday, 23 November 2022 to Monday, 28 November 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the SGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 22 November 2022.

RECOMMENDATION

The Independent Board Committee, having considered the advice from Luk Fook Capital, considers that the Proposed CT is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the Proposed CT, the terms of the Framework Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM to approve the Proposed CT, the Framework Agreement and the transactions contemplated thereunder.

The Directors are of the opinion that the Proposed CT, the terms of the Framework Agreement and the transactions contemplated thereunder are fair and reasonable and the Proposed CT is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM to approve the Proposed CT, the Framework Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (a) the “Letter from the Independent Board Committee” set out on pages 21 and 22 of this circular, which contains recommendation of the Independent Board Committee to the Independent Shareholders; (b) the “Letter from the Independent Financial Adviser” set out on pages 23 to 34 of this circular, which contains advice and recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (c) the additional information set out in the appendix to this circular.

Yours faithfully,

By Order of the Board

Yuen-Keung Chan

Vice Chairman and Managing Director



8 November 2022

To the Independent Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTIONS
IN RELATION TO THE BUILDER'S WORKS AND
THE M&E AND FAÇADE WORKS**

We refer to the circular dated 8 November 2022 issued by the Company (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder, as to the fairness and reasonableness of the aforesaid matters, whether the transactions are in the interests of the Company and its shareholders as a whole and to recommend how the Independent Shareholders should vote at the SGM. Details of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder are set out in the “Letter from the Board” contained in the Circular. Luk Fook Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 7 to 20 of the Circular and the letter from the Independent Financial Adviser set out on pages 23 to 34 of the Circular.

Having considered the terms of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder, and taking into account the advice of the Independent Financial Adviser, we consider that the entering into of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole, the terms of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Luk Fook Capital (HK) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed CT, which has been prepared for the purpose of inclusion in this circular.



8 November 2022

To the Independent Board Committee and the Independent Shareholders,

Dear Sir/Madam,

CONNECTED TRANSACTIONS IN RELATION TO THE BUILDER'S WORKS AND THE M&E AND FAÇADE WORKS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed CT, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 November 2022 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As set out in the Letter from the Board, on 26 September 2022 (after trading hours), the Employer, the Builder’s Works Contractor and the M&E and Façade Works Contractor entered into the Framework Agreement, pursuant to which the Employer conditionally agreed to engage each of the Contractors, and respectively,

- (i) the Builder’s Works Contractor conditionally agreed to act as the contractor to carry out the Builder’s Works for the Project at the contract sum of not exceeding HK\$96,300,000; and
- (ii) the M&E and Façade Works Contractor conditionally agreed to act as the contractor to carry out the M&E and Façade Works for the Project at the contract sum of not exceeding HK\$141,000,000.

As at the Latest Practicable Date, the Employer is an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, and each of the Builder’s Works Contractor and the M&E and Façade Works Contractor is an indirect wholly-owned subsidiary of the Company. Chinney Investments is interested in approximately 68.09% and 29.10% of the issued shares of Hon Kwok and the Company respectively. The chairman and the executive director of each of Chinney Investments, Hon Kwok and the Company, Dr. James Sai-Wing Wong (“**Dr. Wong**”), is beneficially interested in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) approximately 62.02% of the issued shares of Chinney Investments; (b) approximately 69.72% of the issued shares of Hon Kwok (including those interests held through Chinney Investments); and (c) approximately 73.68% of the issued shares of the Company (including those interests held through Chinney Investments). Thus, Chinney Investments, Hon Kwok and the Company are connected persons to one another within the meaning of the Listing Rules and the entering into of the Framework Agreement constitutes a connected transaction for each of the Companies under the Listing Rules.

As set out in the Letter from the Board, as the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) being more than 5% and the Total Contract Sum being more than HK\$10 million, the Proposed CT constitutes a non-exempt connected transaction under Chapter 14A of the Listing Rules and the Company is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Dr. Wong and his associates will be required to abstain from voting on the Resolution at the SGM.

The Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Chi-Chiu Wu, Mr. Ronald James Blake, Mr. Anthony King-Yan Tong and Ms. Dee-Dee Chan, has been established to consider the terms of the Proposed CT, the Framework Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Proposed CT is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms of the Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. We, Luk Fook Capital, have been appointed as the Independent Financial Adviser in accordance with the requirements of the Listing Rules to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Luk Fook Capital did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of us. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save of this appointment as the Independent Financial Adviser in respect of the Proposed CT, there were no other engagements between Luk Fook Capital and the Group. Apart from the normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any party to the Proposed CT. Accordingly, we are qualified to give independent advice in respect of the Proposed CT.

BASIS OF OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the (i) joint announcement of Chinney Investments, Hon Kwok and the Company dated 26 September 2022 in relation to the Proposed CT; (ii) this Circular; (iii) the consolidated financial information of the Group for the year ended 31 December 2021 (“**FY2021**”) and for the six months ended 30 June 2022 (“**1H2022**”) as disclosed in the annual report of the Company for FY2021 and the interim report of the Company for 1H2022 respectively; and (iv) information provided by the Company. We have also discussed with the management of the Group regarding the business of the Group and the Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions, and intentions of the Directors and/or the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or management of the Group.

We have also sought and received confirmation from the Directors that no material facts have been omitted and withheld from the information provided and referred to in the Circular and that all information provided and representations and opinions expressed to us by the Directors and/or the management of the Group and the Contractors are true, accurate, complete and not misleading in all material respects as at the time they made and continue to be so as at the Latest Practicable Date.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out an independent verification of the information provided, representation made or opinions expressed by the Directors and/or management of the Group and the Contractors, nor have we conducted any form in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Proposed CT, we have considered the following principal factors and reasons:

I. Background and relationship between the Employer and the Contractors

1. Background information of the Contractors

As set out in the Letter from the Board, the Builder's Works Contractor is a general building contractor principally engaged in the provision of building construction works and services to the public and private sectors in Hong Kong. The M&E and Façade Works Contractor is a contractor principally engaged in multi-discipline building services, including but not limited to mechanical and electrical engineering and general building maintenance. Each of the Builder's Works Contractor and the M&E and Façade Works Contractor is the principal subsidiary of the Group of the building construction segment and building related contracting services segment, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the Group has been engaging in construction works, foundation construction works, and building related contracting services in Hong Kong for many years. As discussed with the management of the Group, the relationship among the Companies can be traced back to 1985. Hon Kwok was acquired by Chinney Investments in 1985 and has long been the flagship of Chinney Investments undertaking property development and investment activities in Hong Kong and the mainland China. The Company was acquired by Chinney Investments in 1998 and is an associate of Chinney Investments focusing on construction business in Hong Kong and Macau through its respective subsidiaries, including but not limited to, the Builder's Works Contractor and the M&E and Façade Works Contractor. The Builder's Works Contractor holds certificate of Registration of General Building Contractor issued by the Building Department of Hong Kong and the M&E and Façade Works Contractor is registered as a Registered Electrical Contractor under the Electrical and Mechanical Services Department of Hong Kong. In the past ten years, each of the Contractors and their operating subsidiaries has completed over 30 relevant construction projects in Hong Kong, such as redevelopment and renovation of and/or mechanical and electrical installation in various campus facilities, office buildings and hotels. It is considered that the Builder's Works and the M&E and Façade Works are the usual course of business of the Builder's Works Contractor and the M&E and Façade Works Contractor, respectively.

Based on the consolidated financial information of the Group, it is noted that the majority revenue of the Group was mainly derived from provision of building construction and building related contracting services, which accounted for approximately 56.10% and approximately 55.02% of total revenue of the Group for FY2021 and 1H2022 respectively.

As further discussed with the management of the Group, the Group normally secure construction projects to perform the aforesaid construction works mainly from private sectors such as property developers and utility companies and public sectors after going through a competitive bidding process whereby the Group either (i) is invited by potential clients to submit quotation or tender, or (ii) submits bid or tender for open tender in response to the tender published in the website of the potential clients.

Accordingly, we concur with the view of the management of the Group that the application and submission of the tenders and the acceptance of them relating to the Builder's Works and the M&E and Façade Works, i.e. the entering into of the Framework Agreement, is conducted in the normal course of businesses of the Group.

2. Background information of the Employer

The Employer is the owner of the Building and is principally engaged in property holding and letting in Hong Kong. As a property owner, we consider it is commercially normal for Hon Kwok and/or its subsidiaries including the Employer to engage different contractors no matter whether they are Independent Third Parties to conduct general building maintenance and/or renovation works. In July 2018, the Builder's Works

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Contractor was engaged by a subsidiary of Hon Kwok as an employer to carry out construction works for the construction and development of a data centre located in Kwai Chung, New Territories, Hong Kong, details of which are set out in the circular of the Company dated 8 August 2018. Given the connected relationships amongst the Employer, Hon Kwok and the Contractors, it is envisaged that the Builder's Works and the M&E and Façade Works would be undertaken by the Contractors more smoothly and efficiently, which is more beneficial to each of the Contractors and the Employer.

II. Principal Terms of the Framework Agreement

As set out in the Letter from the Board, the principal terms of the Framework Agreement are summarised as follows:

Date:

26 September 2022 (after trading hours)

Parties to the Framework Agreement:

- (i) Honour Well Development Limited, as the Employer;
- (ii) Chinney Construction Company, Limited, as the Builder's Works Contractor;
and
- (iii) Shun Cheong Building Services Limited, as the M&E and Façade Works Contractor

Total Contract Sum

The Total Contract Sum, being the total amount of not exceeding HK\$237,300,000 and representing the maximum total costs to be incurred by the Employer in respect of the Project under the Framework Agreement, is the aggregate of the followings:

- (i) the tender sums offered by the Builder's Works Contractor and the M&E and Façade Works Contractor under their respective lump sum fixed price tenders of HK\$67,300,000 and HK\$132,000,000, respectively (the "**Tender Sums**");
- (ii) the prime cost sums for lift replacement works to be carried out by an independent lift sub-contractor (as part of the Builder's Works), whose contract is pending on tendering process of the Employer and is currently estimated by the Quantity Surveyor to be HK\$8,000,000;
- (iii) the provisional sums for such works not yet quantified at the time of tendering and estimated by the Quantity Surveyor in respect of the Builder's Works and the M&E and Façade Works, in the amount of not exceeding HK\$11,000,000 and HK\$4,000,000, respectively; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the provisional sums for the relevant contingencies in respect of the Builder's Works and the M&E and Façade Works, in the amount of not exceeding HK\$10,00,000 and HK\$5,000,000, respectively.

The aforesaid prime cost sums for lift replacement works and the provisional sums for works not yet quantified at the time of tendering and relevant contingencies are collectively referred as the “**Provisional Sums**”.

To assess the fairness and reasonableness of the Total Contract Sum (comprising the Tender Sums and the Provisional Sums), we have considered the below factors:

1. Assessments performed by the Architect and the Quantity Surveyor

As set out in the circulars of Chinney Investments and Hon Kwok dated 8 November 2022 in respect of the Proposed CT (the “**Chinney Investments and Hon Kwok Circulars**”), the Employer has engaged the Architect and the Quantity Surveyor, both of which are Independent Third Parties, to conduct the tendering process and they have examined and assessed the merits of the tenders received in accordance to the tender prices, experiences of the tenderers and competences of the tenderers. Three tenderers (including the Builder's Works Contractor and two contractors which are Independent Third Parties) and three tenderers (including the M&E and Façade Works Contractor and two contractors which are Independent Third Parties) were invited for submission of tender for the Builder's Works and the M&E and Façade Works, respectively.

As further disclosed in the Chinney Investments and Hon Kwok Circulars, the tender sum offered by each of the Builder's Works Contractor and the M&E and Façade Works Contractor is the lowest bid amongst the three tenderers, respectively. In spite the tender prices offered by the Contractors are the lowest, we are given to understand that (i) it is under general market practice in construction industry that tenderers normally adopt cost-plus model to determine tender price; (ii) there are large number of approved suppliers and sub-contractors in construction industry and the tenderers may not necessarily obtain price quotations from the same supplier(s) and/or sub-contractor(s); (iii) each tenderer has its own pricing strategy to determine gross margin and final tender price; and (iv) as disclosed in sub-section headed “2. Determination of the Tender Sums” below, the gross margin of the Project to be received by the Group is the highest among the Sample Projects (as defined below), the lowest tender price given by each of the Contractors is not necessarily meant that the terms of the Framework Agreement are not beneficial to the Group.

2. Determination of the Tender Sums

As set out in the Letter from the Board, the contract sums (including the Tender Sums) respectively offered by each of the Builder's Works Contractor and the M&E and Façade Works Contractor to the Employer were determined based on the estimated project costs (including but not limited to machinery usage costs, direct labour costs, sub-contracting charges and construction material costs) by reference to the prevailing market rate, and such pricing policy is also adopted in other contracts offered to other Independent Third Parties by the respective Contractors for similar works.

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As advised by the management of the Contractors, a main contractor is responsible for overall project management ranging from developing work programmes, procurement of appropriate construction materials, engaging sub-contractors, coordination and overall control of works carried out by the sub-contractors. When the Contractors are initially invited for a tender of a project, or the Contractors intend to submit tender for a project under open tender, the tender invitation documents are first obtained and analysed by the Contractors. The Contractors would request clarification and further information on the tender from the employer of the project or its representatives. After assessment and examination of all specifications and requirements of works and materials in relation to the Builder's Works and the M&E and Façade Works for the Project, which were fully disclosed in the tender invitation documents of the Builder's Works and the M&E and Façade Works (the "**Tender Invitation Documents**"), respectively, the in-house staffs of the Contractors split their responsible works for the Project into several components and identified the principal materials and works required for each component (for example, in terms of Builder's Works, concrete, rebar and formwork, and in terms of the M&E and Façade Works, mechanical ventilation and air-conditioning and electricity and extra low voltage installation) and sought price quotations of the principal materials and works of each component separately from at least two independent suppliers/sub-contractors.

We obtained the quotation documents from the Company in relation to procurements of principal material and works required for completion of the components of the Builder's Works and the M&E and Façade Works and noted that (i) each of the Contractors had obtained price quotations of the principal materials and works of each component from three independent suppliers/sub-contractors as a reference to estimate the direct labour costs, sub-contracting charges, construction material costs, and the total project costs of the Project; (ii) the specifications of the above principal materials and works offered by the independent suppliers/sub-contractors to the Contractors are in line with those set forth in the corresponding Tender Invitation Documents; and (iii) the Contractors have marked up a margin on the unit rates to the Employer over the unit rate offered by the independent suppliers/sub-contractors to form part of gross profit margin of the Project.

Upon the project costs was estimated, as set out in the Letter from the Board, the contract manager or the project manager worked with the directors of the Contractors to determine the gross margin of the Project, which was based on a variety of factors including but not limited to project complexity and difficulty, current project pipeline and availability of resources of the Contractors, on top of the estimated project costs to arrive at the final tender sum.

As advised by the management of the Contractors, the determination of the Tender Sums is in line the procurement and tendering policies established by the Contractors that the Contractors priced construction-related works including the Builder's Works and the M&E and Façade Works based on a cost-plus pricing policy such that the Contractors can deliver quality works and at the same time achieve a reasonable profit margin. As estimated project costs varies on a project-by-project basis depending on, among other

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things, (i) the contractual terms, requirements and specifications of works; (ii) required construction materials, equipment and labour; (iii) scale, size and type of building; (iii) complexity and difficulty of project; and (iv) landscape and geographical condition, it is impracticable to direct compare the contract sum of each project by costs as it varies from each other in respect of the abovementioned factors.

In order to assess the fairness and reasonableness of the Total Contract Sum, we attempt to identify a sample list of projects (the “**Sample Project(s)**”) which have (i) similar scope of works to the Builder’s Works and the M&E and Façade Works for the Project; (ii) contract sums together with their contract costs and profits equal to or over HK\$237.3 million which is identical to the Total Contract Sums so as to identify project with a scale similar to or even larger than the Project (iii) been entered into between either or both the Contractors and/or their operating subsidiaries and the independent third party(ies); and (iv) been completed in the period from 2018 to 2022 so as to reflect market situation in recent years, and compare gross margin of the Sample Projects against the gross margin of the Project.

Based on the above selection criteria, we obtained 5 Sample Projects on an exhaustive basis and consider it is a reasonable approach to make our analysis as follows.

The following table shows the gross margins of the Sample Projects which have similar work nature as the Builder’s Works and the M&E and Façade Works for the Project. As the information of each Sample Project is considered confidential to the Contractors, the summary of the information set forth in the below tables is shown on an anonymous basis so as to safeguard the interest of the Contractors.

Sample Projects	Year of completion	Principal scope of works	Approximate contract sums (HK\$ million)	Gross margin (%)
Project 1	2018	Concrete structure, finishing works, mechanical and electrical works	496.22	5.04
Project 2	2019	Concrete structure, finishing works, mechanical and electrical works	645.05	6.09
Project 3	2019	Concrete structure, finishing works, mechanical and electrical works	529.30	6.37
Project 4	2020	Concrete structure, finishing works, mechanical and electrical works	499.66	5.15
Project 5	2020	Concrete structure, finishing works, mechanical and electrical works	726.14	4.70
Average				5.47
Maximum				6.37

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Sample Projects	Year of completion	Principal scope of works	Approximate contract sums <i>(HK\$ million)</i>	Gross margin <i>(%)</i>
	Minimum			4.70
	Framework Agreement			
	- The Project			6.98

As shown in the above table, the gross margins of the Sample Projects range from approximately 4.70% to approximately 6.37% with an average of approximately 5.47% while the gross margin of the Project is estimated to be approximately 6.98%, which is above the average gross margin of the Sample Projects and even higher than the maximum gross margin of the Sample Projects.

Hence, we concur with the Directors' view that the Total Contract Sum is determined with reference to the prevailing market prices and is no less favourable than those charged to other Independent Third Parties under the Sample Projects and is also in the interests of the Group.

3. Determination on the Provisional Sums

As set out in the Letter from the Board, apart from the Tender Sums, the Total Contract Sum also included the following Provisional Sums: (i) the prime cost sums of HK\$8,000,000 for life replacement works to be carried out by an independent lift sub-contractor (as part of the Builder's Works), whose contract is pending on tendering procedure; and (ii) the provisional sums for (a) those works not yet quantified at the time of tendering in respect of the Builder's Works and the M&E and Façade Works of not exceeding HK\$11,000,000 and HK\$4,000,000, respectively; and (b) contingencies in respect of the Builder's Works and the M&E and Façade Works of not exceeding HK\$10,000,000 and HK\$5,000,000, respectively.

To consider the reasonableness and fairness of the Provisional Sums, as set out in the Letter from the Board and as advised by the management of the Group, we noted since:

- (i) the Project involves revamp works and additions and alternations works on the existing Building which have to take its actual circumstances and environment into account and is therefore impractical to determine in advance the precise extent of works and amount of material required;

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- (ii) the actual cost of the lift replacement works is subject to the works (as part of the Builder's Works) to be carried out by an independent lift sub-contractor, whose contract is pending on tendering procedure of the Employer, and will be paid to the sub-contractor on a cost reimbursement basis;
- (iii) under the Builder's Works Contract Documents, the provisional sum for such works not yet quantified at the time of tendering represented (a) the gondola and its associated builder's works; and (b) the associated builder's works in connection with lift installation and window wall installation. These associated builder's works mainly involve concrete rectification and structure strengthening and the extent of which could only be determined at the time when the works are being carried out. Under the M&E and Façade Works Contract Documents, the provisional sum for such works not yet quantified at the time of tendering represented (a) the façade lighting system; and (b) towngas installation. At the time of tendering, the design for lighting and water heating system has not yet finalised and hence the relevant contract sums in respect of these two systems remain to be determined. The actual costs for those works which are included in the Provisional Sums but not quantified at the time of tendering will only be determined when they are being carried out and are completed after confirmation by the Architect and verification and valuation by the Quantity Surveyor;
- (iv) the purpose of provisional sums for the relevant contingencies is to allow flexibility to both the Employer and the Contractors on the unforeseen and unforeseeable works; and
- (v) any claim by any of the Contractors under the category of the Provisional Sums needs to be confirmed by the Architect and verified and evaluated by the Quantity Surveyor,

in all, the Provisional Sums is an estimated amount by the Quantity Surveyor at the time of tendering and will be reimbursed by the Employer on an actual cost incurred basis.

Since that (i) the Provisional Sums is estimated by the Quantity Surveyor, which is an independent quantity surveyor engaged by the Employer and determined with reference to the past work experiences of the Quantity Surveyor, in particular, similar jobs in similar size of the Project; and (ii) the breakdown of the Provisional Sums had been already stated in the Tender Invitation Documents to all tenderers including the Contractors at the time of tendering, whereby all tenders are obliged to meet the required same amount of the Provisional Sums, we are of the view that the determination of the Provisional Sums is fair and reasonable as far as the interests of the Company is concerned.

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III. Payment terms of the Framework Agreement

As set out in the Letter from the Board, the Total Contract Sums shall be settled in the following manner:

- (i) Payment based on work done: The Contractors shall submit payment applications on a monthly basis with details of the works done and materials delivered, as verified and valued by the Quantity Surveyor, and certified by the Architect. 90% of such monthly certified amounts will be settled by the Employer within 28 calendar days after the submission of invoices and the Architect's certificates by the Contractors. The remaining 10% of the monthly certified amounts will be retained by the Employer as retention monies.

- (ii) Retention monies: 50% of the retention monies shall be released to the Contractors after the Architect issues the substantial completion certificates for each of the Builder's Works and the M&E and Façade Works. The remaining 50% shall only be paid by the Employer only after the expiration of the 12-months defect liability period and the issue of the defects rectification certificate by the Architect. The retention monies retained by the Employer contemplated above are subject to a limit of 5% of the contract sums under the respective Builder's Works Contract Documents and the M&E and Façade Works Contract Documents, with the exclusion of the prime cost sums for lift replacement works to be carried out as part of the Builder's Works by an independent lift sub-contractor.

To assess the fairness and reasonableness of the payment terms of the Framework Agreement, we noted that (i) the payment terms of the Total Contract Sum which are set out in the respective Builder's Works Contract Documents and the M&E and Façade Works Contract Documents adopt the "Agreement & Schedule of Conditions of Building Contract for use in the Hong Kong Special Administrative Region, 2006 Edition" issued under the sanction of The Hong Kong Institute of Architects, The Hong Kong Institute of Construction Managers and The Hong Kong Institute of Surveyors, which is a standard form of building contract commonly adopted in the construction industry in Hong Kong; (ii) the percentage figures prescribed in the above payment terms follow the sample percentage figures as stipulated in the aforementioned standard form of building contract and the "Practice Notes for Quantity Surveyors in relation to Valuation for Interim Payment Certificates" issued by the Hong Kong Institute of Surveyors in August 2014; and (iii) reviewed agreements of the Sample Projects and noted payment terms of the Sample Projects adopted the above standard form of building contract and the aforesaid practice notes. As such, we concur with the Directors' view that the payment terms of the Total Contract Sum under the Framework Agreement are in line with common industry practice where the monthly payments will be made to the Contractors after the completion of specific portions or percentage of work, which are to be examined, quantified and approved by the independent professional parties, fair and reasonable and in the interests of the Company and the Shareholders.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Framework Agreement is conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Framework Agreement, among other things, the Total Contract Sum and terms of payment, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the entering into of the Framework Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee and the Independent Shareholders to vote in favour of the Resolution to be proposed at the SGM to approve the Proposed CT, the Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Luk Fook Capital (HK) Limited
Keith Lou
Managing Director

Mr. Keith Lou is a licensed person registered with the Securities and Futures Commission and a responsible officer of Luk Fook Capital (HK) Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong). He has over 25 years of experience in advising on corporate finance.

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 Company. 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. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that 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 provisions of the SFO), or that were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or that were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long position in ordinary shares of the Company:

Name of Director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares capital
Dr. James Sai-Wing Wong	Through controlled corporations	438,334,216 (Note)	73.68%

Note: Amongst these shares, 21,996,000 shares are held by Chinney Capital Limited, 173,093,695 shares are held by Multi-Investment Group Limited and 243,244,521 shares are held by Enhancement Investments Limited ("EIL"), all of which Dr. James Sai-Wing Wong is a director and a controlling shareholder and has beneficial interests.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which 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 provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and other persons' interests and short positions in shares and underlying shares of the Company

As at the Latest Practicable Date and so far as is known to the Directors, the following persons had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Dr. James Sai-Wing Wong	1, 2, 3	Through controlled corporations	438,334,216	73.68%
Lucky Year Finance Limited	1	Through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	1	Through a controlled corporation	173,093,695	29.10%
Chinney Investments	1	Through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	1	Through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	1	Beneficial owner	173,093,695	29.10%
EIL	2	Beneficial owner	243,244,521	40.89%

Notes:

1. Dr. James Sai-Wing Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 173,093,695 shares by virtue of Section 316 of the SFO;
2. EIL is beneficially wholly-owned by Dr. James Sai-Wing Wong; and
3. 21,996,000 shares are held by Chinney Capital Limited, which is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons (not being the Directors) who had an interest or short position in the shares or underlying shares of the Company 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 was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options in respect of such capital.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

The Company paid a management fee of HK\$5,728,000.00 to Chinney Investments for the year ended 31 December 2021. The management fees were charged to the Company based on time involvement of the personnel of Chinney Investments providing services. Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, is also a director of and has beneficial interests in Chinney Investments. Mr. James Sing-Wai Wong and Mr. Yuen-Keung Chan are common directors of the Company and Chinney Investments.

On 12 July 2018, Chinney Construction Company, Limited entered into a framework agreement with Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, as the employer for the construction works to be carried out by Chinney Construction Company, Limited as the main contractor for the construction and development of a data centre at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong at a total contract sum of HK\$757,838,691.70.

As far as the Directors are aware and, save as disclosed in this circular, as at the Latest Practicable Date:

- (a) none of the Directors had any material direct or indirect interest in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

4. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As disclosed in the 2021 annual report and the interim report of the Company for the six months ended 30 June 2022, the Group has property held for sale under development located in Fanling, New Territories, Hong Kong. Certain properties are held as investment properties. Dr. James Sai-Wing Wong is the chairman and the executive director of both the Company and Hon Kwok, and the principal activities of Hon Kwok Group are property development and

investment. Save for the aforesaid, as at the Latest Practicable Date, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by any member of the Group within one year without payment of compensation, other than statutory compensation).

6. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

7. EXPERT AND CONSENT

The following is the qualifications of the expert who has given its opinions or advice which is contained in this circular:

Name	Qualification
Luk Fook Capital (HK) Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

- (a) As at the Latest Practicable Date, Luk Fook Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, Luk Fook Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context in which they are included.
- (c) As at the Latest Practicable Date, Luk Fook Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yun-Sang Lo, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://chinneyalliancegroup.etnet.com.hk>) from the date of this circular up to and including the date of the SGM:

- (a) the Framework Agreement;
- (b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (c) the written consent from the Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (d) this circular.

NOTICE OF SGM



NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Chinney Alliance Group Limited (the “Company”) will be held at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong on Monday, 28 November 2022 at 12:00 p.m. (the “SGM”) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the framework agreement dated 26 September 2022 (the “Framework Agreement”) entered into between Chinney Construction Company, Limited (建業建築有限公司) (the “Builder’s Works Contractor”), Shun Cheong Building Services Limited (順昌樓宇設施有限公司) (the “M&E and Façade Works Contractor”) and Honour Well Development Limited (漢匯發展有限公司) (the “Employer”) in relation to the builder’s works (the “Builder’s Works”) and the mechanical and electrical engineering works and façade works (the “M&E and Façade Works”) relating to the revamp of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong, as more particularly set out in the contract documents in respect of the Builder’s Works and the M&E and Façade Works to be entered into between the Employer, the Builder’s Works Contractor and the M&E and Façade Works Contractor in accordance with and substantially in the same form and substance as annexed to the Framework Agreement and a copy of the Framework Agreement marked “A” is tabled before the meeting and signed for identification purpose by the Chairman of the meeting, as more particularly described in the circular to the shareholders of the Company dated 8 November 2022 of which this notice forms part, be approved, ratified and confirmed; and
- (b) the directors of the Company be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their absolute discretion consider necessary, desirable or expedient to give effect to or in connection with the Framework Agreement including, without limitation to:
- (i) the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements with any other parties in connection with or incidental to the Framework Agreement; and
- (ii) the taking of all necessary actions to implement the transactions contemplated under the Framework Agreement.”

By order of the Board
Yun-Sang Lo
Company Secretary

Hong Kong, 8 November 2022

* For identification purpose only

NOTICE OF SGM

Notes:

- (1) A member entitled to attend and vote at the SGM (and at any adjournment thereof) is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- (2) For the purpose of determining the entitlement to attend and vote at the SGM to be held on Monday, 28 November 2022 (and at any adjournment thereof), the register of members of the Company will be closed from Wednesday, 23 November 2022 to Monday, 28 November 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the SGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 22 November 2022.
- (3) In order to be valid, the form of proxy completed in accordance with the instructions set out therein, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of attorney, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible, but in any event no later than 12:00 p.m. on Saturday, 26 November 2022, being not less than 48 hours before the time fixed for the SGM and at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and at any adjournment thereof should you so wish.
- (4) In the case of joint holders of any share, any one of such joint holders may vote at the SGM (and at any adjournment thereof), either in person 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 meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint registered holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (5) In accordance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the resolution proposed at the SGM will be voted on by way of poll except where the chairman of the SGM, in good faith, decide to allow a resolution which relates purely to procedural or administrative matter to be voted on by a show of hands. The chairman of the SGM will at the meeting demand, pursuant to bye-law 66(2)(a) of the bye-laws of the Company, voting by way of poll on the resolution proposed at the SGM. On a poll, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the bye-laws of the Company, every member present in person (or being a corporation, is present by a representative duly authorised), or by proxy shall have one vote for every fully paid share of which he/she is the holder. An announcement will be made by the Company following the conclusion of the SGM to inform the results of the SGM.
- (6) At the date hereof, the board of Directors comprises eight Directors, of which four are executive Directors, namely Dr. James Sai-Wing Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director), Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and four are independent non-executive Directors, namely Mr. Chi-Chiu Wu, Mr. Ronald James Blake, Mr. Anthony King-Yan Tong and Ms. Dee-Dee Chan.