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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 AB BUILDERS GROUP LIMITED, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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# AB BUILDERS GROUP LIMITED

## 奧邦建築集團有限公司

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

**(Stock Code: 01615)**

### DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANY

### AND NOTICE OF EGM

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

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
流博資本有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed Definitions of this circular, unless the context otherwise requires.

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages I-1 to I-2 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages II-1 to II-24 of this circular. A notice convening the EGM of the Company to be held at 10<sup>th</sup> Floor, Edf. Comercial I Tak, No. 126, Rua De Pequim, Macau on Monday, 19 December 2022 at 3:00 p.m., is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

#### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of coronavirus disease (COVID-19) pandemic, the following measures will be implemented at the EGM:

- mandatory body temperature check;
- compliance with the latest epidemic prevention policies of the Macau government;
- mandatory wearing of surgical face masks; and
- no refreshments for attendees.

The Company reserves the right to deny entry into or require any person to leave the EGM venue if such person:

- i. refuses to comply with any of the above precautionary measures;
- ii. is having a body temperature of over 37.4 degree Celsius; and/or
- iii. has any flu-like symptoms.

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person.

2 December 2022

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## DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest of the Target Company by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement
“associate(s)”	shall have the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holiday and any day on which a tropical cyclone warning no.8 signal or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“close associate(s)”	shall have the same meaning ascribed thereto in the Listing Rules
“Company”	AB Builders Group Limited (奧邦建築集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 01615)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of the Completion

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## DEFINITIONS

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“Condition(s)”	the conditions precedent to Completion pursuant to the Sale and Purchase Agreement, a summary of which is set forth under the paragraph headed “Sale and Purchase Agreement — Conditions” in this circular
“connected person(s)”	shall have the same meaning ascribed thereto in the Listing Rules
“Consideration”	the total consideration of RMB10,000,000 (equivalent to HK\$10,700,000) for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 10 <sup>th</sup> Floor, Edf. Comercial I Tak, No. 126, Rua De Pequim, Macau on Monday, 19 December 2022 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder, or where the context so admits, any adjournment of such extraordinary general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the Acquisition and the transactions contemplated thereunder
“Independent Third Party(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	25 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Lao”	Mr. Lao Chio Seng (劉朝盛), the chairman of the Board, an executive Director, a controlling Shareholder, the spouse of Mrs. Lao and the father of Ms. Vicki Lao
“Mr. Wu Wei Jian”	Mr. Wu Wei Jian* (吳偉儉), an Independent Third Party
“Mr. Wu Yong Qin”	Mr. Wu Yong Qin* (吳永欽), an Independent Third Party
“Mrs. Lao”	Ms. Wong Hio Mei (黃曉媚), a controlling Shareholder, the spouse of Mr. Lao and the mother of Ms. Vicki Lao

\* For identification purposes only

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## DEFINITIONS

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“Ms. Vicki Lao”	Ms. Lao Ka U (劉家裕), the daughter of Mr. Lao and Mrs. Lao
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan
“Purchaser”	Goldkent Investment Limited (金堅投資有限公司), a company incorporated on 1 April 2021 in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement for the Acquisition entered into between the Vendors and Purchaser dated 1 November 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taishan Project”	an on-going construction project of the Target Company located in Taishan City, Guangdong Province, the PRC with a total contract sum at approximately RMB56.8 million
“Target Company”	Jiangmen Jinying Construction and Engineering Company Limited* (江門市晉盈建築工程有限公司), a company established on 11 April 2011 in the PRC with limited liability, and is directly owned as to 60% by Vendor A and 40% by Vendor B, respectively

\* For identification purposes only

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## DEFINITIONS

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“Vendor A”	New Kingdom Development Company Limited (新國度發展一人有限公司), a company incorporated on 4 March 2011 in Macau with limited liability, and is indirectly owned as to 98% by Mr. Lao and Mrs. Lao, and indirectly owned as to 2% by Ms. Vicki Lao, respectively
“Vendor B”	Jiangmen City Pengjiang District Jinying Property Development Company Limited* (江門市蓬江區晉盈置業發展有限公司), a company established on 23 July 2009 in the PRC with limited liability, and is directly owned as to 90% by Mr. Wu Yong Qin and 10% by Mr. Wu Wei Jian, respectively
“Vendors”	Vendor A and Vendor B
“%”	per cent.

*For the purpose of this circular, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.07.*

\* *For identification purposes only*

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LETTER FROM THE BOARD

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**AB BUILDERS GROUP LIMITED**  
**奧邦建築集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 01615)**

*Executive Directors:*

Mr. Lao Chio Seng  
Ms. Lao Chao U  
Mr. Roberto Gnanavelu  
Mr. Cheang Iek Wai  
Mr. Ip Kin Wa

*Registered Office:*

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

*Independent non-executive Directors:*

Mr. Chu Yat Pang Terry  
Mr. O'Yang Wiley  
Mr. Choy Wai Shek, Raymond, *MH, JP*

*Principal Place of Business in Macau:*

10<sup>th</sup> Floor, Edf. Comercial I Tak  
No. 126, Rua De Pequim  
Macau

2 December 2022

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO  
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST OF  
THE TARGET COMPANY  
AND  
NOTICE OF EGM**

**1. INTRODUCTION**

Reference is made to the announcements of the Company dated 1 November 2022 and 22 November 2022 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.



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## LETTER FROM THE BOARD

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### 2. THE ACQUISITION

On 1 November 2022 (after trading hours), the Sale and Purchase Agreement was entered into between the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendors, pursuant to which:

- (i) the Purchaser has conditionally agreed to acquire, and Vendor A has conditionally agreed to sell, 60% of the equity interest of the Target Company free from all encumbrances together with (unless otherwise stated) all rights as of the date of the Sale and Purchase Agreement and hereafter attaching thereto for a consideration of RMB6,000,000 (equivalent to HK\$6,420,000); and
- (ii) the Purchaser has conditionally agreed to acquire, and Vendor B has conditionally agreed to sell, 40% of the equity interest of the Target Company free from all encumbrances together with (unless otherwise stated) all rights as of the date of the Sale and Purchase Agreement and hereafter attaching thereto for a consideration of RMB4,000,000 (equivalent to HK\$4,280,000).

Upon Completion, the Target Company will be wholly-owned by the Purchaser. Therefore, the Company will, through its indirect wholly-owned subsidiary, the Purchaser, be interested in the entire equity interest of the Target Company. The Target Company will also become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Group.

### 3. SALE AND PURCHASE AGREEMENT

Major terms of the Sale and Purchase Agreement are set out below:

#### **Date**

1 November 2022

#### **Parties**

1. New Kingdom Development Company Limited (新國度發展一人有限公司) (as Vendor A);
2. Jiangmen City Pengjiang District Jinying Property Development Company Limited\* (江門市蓬江區晉盈置業發展有限公司) (as Vendor B); and

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### 3. Goldkent Investment Limited (金堅投資有限公司) (as the Purchaser).

Vendor A, namely New Kingdom Development Company Limited (新國度發展一人有限公司), is a company incorporated in Macau with limited liability and is indirectly owned as to 98% by Mr. Lao (the chairman of the Board, an executive Director and a controlling Shareholder) and Mrs. Lao (a controlling Shareholder), and indirectly owned as to 2% by Ms. Vicki Lao respectively, and is therefore a connected person of the Company at the issuer level.

Vendor B, namely Jiangmen City Pengjiang District Jinying Property Development Company Limited\* (江門市蓬江區晉盈置業發展有限公司), is a company established in the PRC with limited liability and is directly owned as to 90% by Mr. Wu Yong Qin and 10% by Mr. Wu Wei Jian respectively. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor B, Mr. Wu Yong Qin and Mr. Wu Wei Jian are Independent Third Parties.

The Purchaser, namely Goldkent Investment Limited (金堅投資有限公司), is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

### **Subject matter of the Acquisition**

The entire equity interest of the Target Company, among which, 60% of the equity interest of the Target Company from Vendor A and 40% of the equity interest of the Target Company from Vendor B respectively.

As at the date of the Sale and Purchase Agreement, the Target Company had a paid-up registered capital of RMB10 million.

### **Consideration**

The Consideration to be paid by the Purchaser for the Acquisition is RMB6,000,000 (equivalent to HK\$6,420,000) to Vendor A and RMB4,000,000 (equivalent to HK\$4,280,000) to Vendor B, respectively, which, after deducting the Tax Withheld (as defined below), shall be payable by cashier order(s) issued by a licensed bank in the PRC or cheque(s) drawn on a licensed bank in the PRC.

Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to deduct and withhold an amount equal to the tax payable by the Target Company as at the Completion Date attributable to the projects of the Target Company completed before the Completion Date (the

\* For identification purposes only

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## LETTER FROM THE BOARD

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“**Tax Withheld**”), from the payment of the Consideration. The refund arrangement of the Tax Withheld is set out in the subsection headed “Payment of Dividend, refund of Tax Withheld and settlement of Amounts due to Vendors” below.

The Purchaser shall pay to the Vendors (or their designated third parties) the balance of the Consideration (i.e. after deducting the Tax Withheld) on the Business Day that the preparation of the completion accounts of the Target Company has been completed and the amount of the Tax Withheld has been determined. Such date is estimated to be within three (3) months from the Completion Date.

### **Basis of Consideration**

The Target Company shall declare cash dividend (the “**Dividend**”) to the shareholders of the Target Company immediately before the Completion. The basis of the Consideration has been agreed between the Purchaser and the Vendors on a post-Dividend basis and the Vendors (being the shareholders of the Target Company immediately before the Completion) shall be entitled to the Dividend, while the Purchaser shall not be entitled to the Dividend.

The Consideration was determined between the Purchaser and the Vendors after arm’s length negotiations and on normal commercial terms after taking into account, among others, (i) the net asset value of the Target Company after declaring the Dividend; (ii) the paid-up registered capital of the Target Company of RMB10 million; (iii) the current licences and permits possessed by the Target Company; (iv) the project on hand of the Target Company; (v) the business development and future prospects of the Target Company; and (vi) the reasons and benefits set out in the section headed “Reasons for and benefits of the Acquisition” in this circular.

On the basis of the above factors, the Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Reference is made to the announcement of the Company dated 27 August 2020 about the change in use of proceeds that approximately HK\$6.1 million is intended to be utilised for potential merger and acquisition of the Group. Part of the Consideration at approximately RMB5.7 million (equivalent to approximately HK\$6.1 million) is to be funded by the net proceeds raised by the Company through the global offering upon the listing of the Shares on the Main Board of the Stock Exchange on 10 September 2018 (the “**Listing**”) and the remaining part of the Consideration at approximately RMB4.3 million (equivalent to approximately HK\$4.6 million) is to be funded by the Group’s internal resources.

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## LETTER FROM THE BOARD

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### Conditions

Completion is subject to the satisfactory fulfillment and/or waiver of the following Conditions:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence;
- (b) all necessary approvals by the government and regulatory authorities (including but not limited to the Stock Exchange), corporate approvals and consents for the Acquisition and the transactions contemplated thereunder being obtained;
- (c) save and except any amounts of the Target Company due to the Vendors agreed to be retained by the Purchaser (the “**Amounts due to Vendors**”), all current accounts and loans of the Target Company connected to the existing shareholders and their associates, directors and their associates and related parties of the Target Company having been fully settled;
- (d) in relation to the Acquisition and the transactions contemplated thereunder, all relevant regulatory requirements (including but not limited to those under the Listing Rules) having been complied with and satisfied (including but not limited to the Company having issued and/or despatched the announcement and the circular, and passed the EGM in relation to the Acquisition and the transactions contemplated thereunder in accordance with the Listing Rules);
- (e) from the date of the Sale and Purchase Agreement to the date of Completion, all representations and warranties given by the Vendors under the Sale and Purchase Agreement having remained true, accurate and not misleading in all material respects;
- (f) there not having occurred, occurring or going to occur any event which would materially and adversely affect (i) the asset, business, operation or financial conditions of the Target Company; or (ii) the Vendors’ and the Purchaser’s capabilities in performing or complying with the material obligations, commitments or agreements under the Sale and Purchase Agreement;
- (g) there not having been existence of any relevant PRC laws, administrative regulations, rules, regulatory documents, or generally binding administrative orders (the “**PRC Laws**”) that prohibit or restrict the completion of the Acquisition and the transactions contemplated thereunder, or impose conditions or restrictions on the completion of the Acquisition and the transactions contemplated thereunder, or reasonably anticipate the occurrence of such circumstances in accordance with the PRC Laws;

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## LETTER FROM THE BOARD

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- (h) the approval or filing procedure of the relevant ministry of commerce for the Acquisition having been obtained and completed; and
- (i) the shareholders of the Target Company approving the Acquisition and the transactions contemplated thereunder, and the amendments to the Target Company's articles of association (if necessary).

The Purchaser may at any time waive in writing any Conditions (other than Conditions (b), (d), (g) and (h) above) and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. Conditions (b), (d), (g) and (h) above are not capable of being waived by the Purchaser.

If the Conditions have not been fulfilled or waived by the Purchaser (as the case may be) at or before 12:00 p.m. on 31 December 2022 (or such later date as all parties may agree in writing) (the "**Long Stop Date**"), the Sale and Purchase Agreement shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties and continued application of certain clauses.

### **Completion**

When the Conditions have been fulfilled or waived by the Purchaser (as the case may be), the Purchaser shall issue to the Vendors a written notice to confirm to proceed to Completion. The Vendors shall, on the third Business Day after the receipt of such notice, apply to have the entire equity interest of the Target Company to be registered under the name of the Purchaser at the relevant industrial and commercial department.

The Completion shall take place no later than the Long Stop Date.

Upon Completion, the Target Company will be wholly-owned by the Purchaser. Therefore, the Company will, through its indirect wholly-owned subsidiary, the Purchaser, be interested in the entire equity interest of the Target Company. The Target Company will also become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Group.

### **Payment of Dividend, refund of Tax Withheld and settlement of Amounts due to Vendors**

In arriving at the Consideration on a post-Dividend basis, it was the common intention of the Vendors and the Purchaser that the benefits and liabilities of the projects of the Target Company completed before the Completion Date (the "**Completed Projects**") shall continue to be enjoyed and borne by the Vendors.

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## LETTER FROM THE BOARD

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As such, the amount of the Dividend payable is determined by the following formula:

Dividend = Amount of the undistributed profits (after tax) of the Target Company as at the Completion Date – Amount of the undistributed profits (after tax) of the Target Company as at the Completion Date attributable to the Taishan Project.

The payment of the Dividend, the refund of the Tax Withheld and the settlement of the Amounts due to Vendors shall be by instalments and shall depend on the post-Completion recovery status of the trade receivables of the Target Company as at the Completion Date attributable to the Completed Projects (the “**Trade Receivables**”), the mechanism of which is briefly described below:

- (A) If the accumulated amount of the Trade Receivables recovered by the Target Company after the Completion (the “**Trade Receivables Recovered**”) does not exceed the Threshold, which is determined by the following formula:

Threshold = Trade Receivables – Dividend – Tax Withheld – Amounts due to Vendors,

the Target Company does not need to pay any amount; and

- (B) If the Trade Receivables Recovered exceeds the Threshold, the amount payable shall be:

Amount payable = Trade Receivables Recovered – Threshold – Amount previously paid (if any).

If any Trade Receivables are not able to be recovered by 31 December 2024 or are treated as bad debt after the Completion in accordance with the Enterprise Income Tax Law of the PRC\* (中華人民共和國企業所得稅法) and other applicable PRC Laws and accounting standards adopted by the PRC tax authority, the total sum of the Dividend to be payable, the Tax Withheld to be refunded and the Amounts due to Vendors to be settled shall be reduced on a dollar-to-dollar basis.

### Others

The Vendors and the Purchaser agree to prepare the completion accounts of the Target Company in accordance with the generally accepted accounting principles in the PRC within three (3) months from the Completion Date.

The Vendors warrant that the net asset value of the Target Company as at the Completion Date after declaring the Dividend will not be less than RMB10 million.

\* For identification purposes only

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## LETTER FROM THE BOARD

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The Vendors also warrant that the Target Company will be able to recover the entire amount of the Threshold by 31 December 2023 and the entire amount of the Trade Receivables by 31 December 2024. The Vendors shall jointly and severally pay and compensate the Target Company any shortfall if any part of the Threshold has not been recovered by the Target Company by 31 December 2023.

The Sale and Purchase Agreement also contains, among others, the warranties and indemnities given by the Vendors to the Purchaser in relation to litigation, license, non-compliance and tax.

#### 4. INFORMATION OF THE TARGET COMPANY

The Target Company is a company established on 11 April 2011 in the PRC with limited liability, and is directly owned as to 60% by Vendor A and 40% by Vendor B, respectively as at the Latest Practicable Date. Upon Completion, the Target Company will be wholly-owned by the Purchaser.

The scope of business of the Target Company pursuant to its business licence\* (營業執照) includes, among others, construction of industrial and civil buildings, foundation piling, building refurbishment, water and electricity installation, water supply and drainage in the PRC.

As at the Latest Practicable Date, the Target Company has no subsidiary.

#### Financial information of the Target Company

Set out below is the summary of the key financial information of the Target Company for the two years ended 31 December 2020 and 31 December 2021, prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2020</b> <i>(unaudited)</i> <i>RMB'000</i>	<b>For the year ended 31 December 2021</b> <i>(unaudited)</i> <i>RMB'000</i>
Revenue	24,041	Nil
Net profit/(loss) before tax	129	(961)
Net profit/(loss) after tax	96	(961)

\* For identification purposes only

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## LETTER FROM THE BOARD

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The unaudited net asset value of the Target Company as at 31 December 2021 was approximately RMB23.7 million.

The major items in the unaudited management accounts of the Target Company as at 31 October 2022 are as follows: the net asset value was approximately RMB21.9 million, the trade receivables were approximately RMB51.0 million, the Tax Withheld was approximately RMB2.9 million, the Amounts due to Vendors were approximately RMB23.2 million, the bank and cash were approximately RMB5.1 million, and the account payables were approximately RMB7.7 million.

It is estimated that the account payables of the Target Company as at the Completion Date will be settled by: (i) the then existing bank and cash of the Target Company; (ii) the cash to be received by the Target Company from its recovery of the Threshold; and/or (iii) if the entire amount of the Threshold cannot be recovered by 31 December 2023, the cash to be paid and compensated by the Vendors jointly and severally for such shortfall of Threshold unrecovered.

### 5. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in providing structural works and fitting-out works services in Macau.

As disclosed on pages 85 and 86 of the prospectus of the Company dated 27 August 2018, prior to the Listing, the Target Company was once a non-wholly owned subsidiary of San Fong Seng Construction & Engineering Company Limited (the “**SFS Construction Macau**”), being an indirect wholly-owned subsidiary of the Company, that the Target Company was owned as 60% by SFS Construction Macau and 40% by Vendor B, respectively. Having considered that the day-to-day operation of the Target Company was mainly managed by Vendor B and the Group had no absolute control over the Target Company, the Group disposed all its 60% of the equity interest of the Target Company to Vendor A in late 2016 at the consideration of RMB6,000,000 (being the original acquisition cost of the relevant assets to Vendor A), which was determined with reference to the paid-up registered capital of the Target Company contributed by SFS Construction Macau.

After the Listing, the Group has been continuously exploring opportunities to improve its competitive strengths by actively seeking for new business opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area. Examples include the business expansions to engage in (i) building construction and engineering services in Hong Kong by acquiring 60% of the issued share capital of Lap Polly Engineering Company Limited in September 2019; and (ii) air purification business by entering into a connected party transaction with ActivPro Limited (being an indirect non-wholly owned subsidiary of the Company) in September 2020.



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## LETTER FROM THE BOARD

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Although the wave of COVID-19 virus is spreading in some parts of the PRC recently, in view of the growing vaccination rate and the strong economy recovery measures implemented by the government, the Group believes that the economy in the PRC will stabilise and grow gradually in the first half of 2023. As such, the Group considers that now is the right time to expand its business to engage in the PRC construction industry.

As comparing to establishing a new PRC company, engaging in the PRC construction industry by way of the Acquisition enjoys the following advantages:

- (I) The Target Company has already possessed necessary licences and permits to engage in the PRC construction industry, including but not limited to, class two main contractor for construction works\* (建築工程施工總承包貳級) and class three main contractor for municipal public works\* (市政公用工程施工總承包三級). Time and costs can be saved to establish a new company and acquire the necessary licences and permits; and
- (II) As at the Latest Practicable Date, the Target Company has one on-going construction project, i.e. the Taishan Project, which was commenced on in April 2022 and is expected to be completed by the mid of 2023.

As disclosed under the subsection headed “Payment of Dividend, refund of Tax Withheld and settlement of Amounts due to Vendors” above, in arriving at the Consideration on a post-Dividend basis, it was the common intention of the Vendors and the Purchaser that the benefits and liabilities of the Completed Projects shall continue to be enjoyed and borne by the Vendors.

Pursuant to the unaudited management accounts of the Target Company as at 31 October 2022, it is estimated that the amount of the Dividend to be declared will be approximately RMB11 to 12 million and therefore the net asset value of the Target Company as at the Completion Date after declaring the Dividend will be slightly more than RMB10 million, which is comparable to the Consideration.

Since the unaudited trade receivables of the Target Company as at 31 October 2022 was approximately RMB51.0 million, if a substantial part of the Trade Receivables is unrecoverable, the net realised value of the Target Company as at the Completion Date after declaring the Dividend may be lower than RMB10 million. Therefore, in order to protect the Target Company and the Purchaser, the following measures have been implemented:

- (a) the Vendors’ warranties in relation to the Threshold and the Trade Receivables;

\* For identification purposes only

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## LETTER FROM THE BOARD

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- (b) all the costs and expenses in relation to the recovery of the Trade Receivables shall be borne by the Vendors;
- (c) the Tax Withheld will be subtracted from the Consideration and retained by the Target Company so that the cash position of the Target Company will be improved;
- (d) the Target Company will not use its existing bank and cash to settle the Dividend. The bank and cash is for the daily operation of the Target Company and to fund and operate the Taishan Project;
- (e) the Vendors' entitlement to be paid the Dividend, to be refunded of the Tax Withheld and to be settled of the Amounts due to Vendors are subject to the post-Completion recovery status of the Trade Receivables;
- (f) the Vendors will only receive payments for the amounts recovered exceeding the Threshold;
- (g) even after the Threshold has been achieved, payments to the Vendors are only made to the portion of the extra cash received on top of the Threshold;
- (h) closely tied up the Vendors' interests with the recovery of the Trade Receivables, this mechanism will encourage the Vendors to assist the Target Company in recovering the Trade Receivables after the Completion;
- (i) if the Vendors had adopted a negative and passive manner in recovering the Trade Receivables resulting in failure to recover the entire amount of the Trade Receivables by 31 December 2024, not only they will breach the aforesaid warranty, but also their entitlements to the Dividend, the Tax Withheld and the Amounts due to Vendors would have been reduced on a dollar-to-dollar basis;
- (j) for example, if the entire Trade Receivables have not been recovered by 31 December 2024, then (a) none of the Dividend, the Tax Withheld and the Amounts due to Vendors will be payable; and (b) the Purchaser will be entitled to recover the Threshold from the Vendors pursuant to the Sale and Purchase Agreement. Pursuant to the unaudited management accounts of the Target Company as at 31 October 2022, it is estimated that the total sum of the Dividend, the Tax Withheld, the Amounts due to Vendors and the Threshold is more than RMB40 million. Given such substantial amount, this mechanism incentivises the Vendors to assist the Target Company in recovering the Trade Receivables entirely;

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## LETTER FROM THE BOARD

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- (k) in any event, given that the Threshold is the very first portion of the Trade Receivables to be recovered, the bad debt risk of the Threshold is considered to be low; and
- (l) the actual recovery of the Threshold by the Target Company means that the Target Company will receive an amount of cash equal to the Threshold and therefore it is considered that the net asset value of the Target Company as at the Completion Date after declaring the Dividend will be able to sustain at RMB10 million. The Vendors also warrant that the net asset value of the Target Company as at the Completion Date after declaring the Dividend will not be less than RMB10 million. Even if the entire Trade Receivables could not be recovered by 31 December 2024, given the Vendors' warranty in relation to the Threshold has provided that the Vendors shall jointly and severally pay and compensate the Target Company the amount equal to the Threshold, and with such cash paid and compensated by the Vendors, the net asset value of the Target Company will remain at not less than RMB10 million.

In view of the aforesaid, it is considered that the deal structure of the Acquisition has been carefully designed to closely tie up the Vendors' interests with the recovery status of the Trade Receivables which can protect the interest of the Target Company and the Purchaser.

If we compare the Acquisition to the situation of setting a new PRC company with paid-up registered capital at RMB10 million, the Acquisition enjoys the following, among others, additional advantages: (a) time and costs for establishing a new company and acquiring the necessary licences and permits being saved; (b) an on-going project, i.e. the Taishan Project; and (c) the track record and reputation of an established construction company, which are all important factors for the Group to compete for new business opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area in future. Therefore, for expanding the Group's business to engage in the PRC construction industry, it is considered that the business development and future prospects of the Target Company enjoys a better position as comparing to a newly established PRC company.

On the other hand, from the perspective of the Target Company, the Acquisition allows it to become a member of a Hong Kong listed company group which is able to gain access to the capital market for fundraising. Backed by the Company which has a larger capital base and the reputation of a company listed on the Main Board of the Stock Exchange, the Directors consider that the Target Company will be in a better position to negotiate and tender for larger-sized and iconic construction projects, which will further develop and strengthen the financial performance of the Target Company and therefore is considered to be ultimately beneficial to the Company and the Shareholders as a whole. It is considered that the Acquisition will achieve a win-win situation.

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## LETTER FROM THE BOARD

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Taking into account, among others, the above factors, the net asset value of the Target Company after declaring the Dividend, the paid-up registered capital of the Target Company, the current licences and permits possessed by the Target Company, the project on hand of the Target Company, the Tax Withheld, the Vendors' warranties in relation to the Threshold and the Trade Receivables, and the business development and future prospects of the Target Company, the Board approved (with Mr. Lao being absent and did not vote in the relevant Board meeting, and Ms. Lao Chao U, Mr. Roberto Gnanavelu and Mr. Cheang Iek Wai abstained from voting) the Group to enter into the Sale and Purchase Agreement. In addition, the Directors are of the opinion that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms or better after arm's length negotiations between the parties and are fair and reasonable, and the Acquisition and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Since the Group will engage in the provision of construction works business in the PRC after the Acquisition, Mr. Lao confirms that he and his close associates does not and will not conduct any provision of construction works business in the PRC which, directly or indirectly, competes or is likely to compete with the business of the Group in the PRC.

### **6. LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from Shareholders' approval under the Listing Rules.

Vendor A, namely New Kingdom Development Company Limited (新國度發展一人有限公司), is a company incorporated in Macau with limited liability and is indirectly owned as to 98% by Mr. Lao (the chairman of the Board, an executive Director and a controlling Shareholder) and Mrs. Lao (a controlling Shareholder), and indirectly owned as to 2% by Ms. Vicki Lao respectively, and is therefore a connected person of the Company at the issuer level. Therefore, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

### **7. CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 13 December 2022 to Monday, 19 December 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the EGM, all transfer of Shares, accompanied by

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## LETTER FROM THE BOARD

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the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 December 2022.

### 8. EGM

A notice convening the EGM to be held at 10<sup>th</sup> Floor, Edf. Comercial I Tak, No. 126, Rua De Pequim, Macau on Monday, 19 December 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Mr. Lao is considered to have material interests in the Acquisition by virtue of his relationship with Vendor A, and he was absent in the Board meeting and did not vote for approving the Group to enter into the Sale and Purchase Agreement. Ms. Lao Chao U, being the daughter of Mr. Lao, and Mr. Roberto Gnanavelu and Mr. Cheang Iek Wai, being the sons-in-law of Mr. Lao, for the sake of prudence, have abstained from voting on the Board resolutions approving the Group to enter into the Sale and Purchase Agreement. Save for the aforesaid, no other Directors have abstained from voting on the relevant Board resolutions.

Further, Laos International Holdings Limited (a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Lao) and WHM Holdings Limited (a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mrs. Lao) shall abstain from voting on the resolutions approving the Acquisition and the transactions contemplated thereunder in the EGM.

As at Latest Practicable Date, Laos International Holdings Limited and WHM Holdings Limited together hold 390,000,000 Shares, representing 65% of the issued share capital of the Company.

Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is interested in the Acquisition and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the

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## LETTER FROM THE BOARD

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time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy will be deemed to be revoked.

After the Conditions have been fulfilled, if the parties do not proceed to the Completion pursuant to the Sale and Purchase Agreement but choose to postpone the Long Stop Date, the Company will re-submit the Acquisition to the Independent Shareholders for approval again.

### **9. VOTING BY POLL**

In accordance with Rule 13.39(4) of the Listing Rules and the articles of association of the Company, the resolution set out in the notice of the EGM will be voted on by poll at the EGM. Article 79 of the articles of association of the Company provides that on a poll, every Shareholder present in person or by proxy shall have one vote for every fully paid Share held by that Shareholder. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **10. INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

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

### **11. RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on pages I-1 to I-2 of this circular and the letter from the Independent Financial Adviser set out on pages II-1 to II-24 of this circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the transactions contemplated thereunder and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, is of the opinion that the terms and conditions of the Acquisition and the transactions contemplated thereunder are not in the ordinary

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## LETTER FROM THE BOARD

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and usual course of business of the Group, but are on normal commercial terms or better after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Therefore, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, but are on normal commercial terms or better after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM approving the Acquisition and the transactions contemplated thereunder.

### 12. WARNING NOTICE

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment and/or waiver of the Conditions. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

Yours faithfully  
By Order of the Board  
**AB Builders Group Limited**  
**Mr. LAO Chio Seng**  
*Chairman and Executive Director*

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder:*

**AB BUILDERS GROUP LIMITED**  
**奧邦建築集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 01615)**

2 December 2022

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 2 December 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice of the Independent Financial Adviser and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the Letter from the Independent Financial Adviser in this Circular. Your attention is also drawn to the Letter from the Board in this Circular and the additional information set out in the appendices thereto.

Having taken into account the (i) terms and conditions of the Acquisition and the transactions contemplated thereunder; and (ii) the factors referred to in the Letter from the Independent Financial Adviser in this Circular, we are of the opinion that despite the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Acquisition and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms or better after arm’s length negotiations between the parties; and (iii) in the interests of the Company and the Shareholders as a whole.



Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully

The Independent Board Committee of  
**AB Builders Group Limited**

**Mr. Chu Yat Pang Terry**  
*Independent Non-executive Director*

**Mr. O'Yang Wiley**  
*Independent Non-executive Director*

**Mr. Choy Wai Shek, Raymond, MH, JP**  
*Independent Non-executive Director*

*The following is the full text of the letter from Rainbow Capital (HK) Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*

**Rainbow Capital (HK) Limited**

2 December 2022

*To the Independent Board Committee and the Independent Shareholders*

AB Builders Group Limited  
10<sup>th</sup> Floor, Edf. Comercial I Tak  
No. 126, Rua De Pequim  
Macau

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY  
INTEREST OF THE TARGET COMPANY**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 2 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 1 November 2022 (after trading hours), the Sale and Purchase Agreement was entered into between the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire, and (i) Vendor A has conditionally agreed to sell, 60% of the equity interest of the Target Company for a consideration of RMB6,000,000; and (ii) Vendor B has conditionally agreed to sell, 40% of the equity interest of the Target Company for a consideration of RMB4,000,000.

As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from Shareholders' approval under the Listing Rules. As at the Latest Practicable Date, Vendor A is indirectly owned as to 98% by Mr. Lao (the chairman of the Board, an executive Director and a controlling Shareholder) and Mrs. Lao (a controlling Shareholder), and indirectly owned as to 2% by Ms. Vicki Lao, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Acquisition by way of a poll at the EGM. In view of the interest above, Laos International Holdings Limited (a company wholly-owned by Mr. Lao), WHM Holdings Limited (a company wholly-owned by Mrs. Lao) and their respective associates will be required to abstain from voting on the resolution approving the Acquisition and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chu Yat Pang Terry, Mr. O'Yang Wiley and Mr. Choy Wai Shek, Raymond, *MH, JP*, has been formed to advise the Independent Shareholders on whether (i) the Acquisition is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and the Vendors that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or the Vendors. Accordingly, we are qualified to give independent advice in respect of the Acquisition.

**BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us 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 Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and 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 the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

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 any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group and the Vendors or their respective substantial shareholders, subsidiaries or associates.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering the fairness and reasonableness of the Acquisition, we have taken into account the principal factors and reasons set out below:

**1. Background information on the Group**

The Group is principally engaged in providing structural works and fitting-out works services in Macau and building construction and engineering service in Hong Kong.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2021 as extracted from the annual reports of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) and for the year ended 31 December 2020, and the six months ended 30 June 2021 and 2022 as extracted from the interim report of the Company for the six months ended 30 June 2022:

(i) *Financial performance*

	For the year ended 31 December			For the six months ended 30 June	
	2021	2020	2019	2022	2021
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>	<b>353,133</b>	<b>197,656</b>	<b>351,542</b>	<b>98,041</b>	<b>130,154</b>
Cost of sales	(335,904)	(214,601)	(303,980)	(95,713)	(127,466)
<b>Gross profit/(loss)</b>	<b>17,229</b>	<b>(16,945)</b>	<b>47,562</b>	<b>2,328</b>	<b>2,688</b>
Other income	2,349	4,228	4,092	3,028	998
Other gains or losses	(1,053)	1,864	(48)	14	390
Impairment loss under expected credit loss model, net of reversal	(92)	(6,772)	(701)	(5,792)	(2,725)
Impairment loss on goodwill	—	(1,510)	—	—	—
Impairment loss on property, plant and equipment	—	(3,847)	—	—	—
Impairment loss on right-of-use asset	—	(483)	—	—	—
Administrative expenses	(28,472)	(31,421)	(26,663)	(11,656)	(14,793)
Interest expense on lease liabilities	(27)	(18)	—	(2)	(10)
<b>(Loss)/Profit before taxation</b>	<b>(10,066)</b>	<b>(54,904)</b>	<b>24,242</b>	<b>(12,108)</b>	<b>(13,452)</b>
Income tax credit/(expense)	65	683	(3,900)	—	—
<b>(Loss)/Profit for the year/period</b>	<b>(10,001)</b>	<b>(54,221)</b>	<b>20,342</b>	<b>(12,108)</b>	<b>(13,452)</b>
<b>(Loss)/Profit attributable to the Shareholders</b>	<b>(6,642)</b>	<b>(50,774)</b>	<b>20,229</b>	<b>(7,662)</b>	<b>(11,813)</b>

*Year ended 31 December 2021 (“FY2021”) compared to year ended 31 December 2020 (“FY2020”)*

Revenue of the Group increased significantly by approximately 78.7% from approximately MOP197.7 million for FY2020 to approximately MOP353.1 million for FY2021. Such increase was mainly due to the increase in revenue generated from fitting-out works projects, as a result of the resumption in progress of some delayed construction projects of the Group in 2020 resumed to normal in 2021. During FY2021, the Group completed 16 fitting-out works projects and awarded 11 fitting-out works projects with an aggregate contract sum of approximately MOP178.9 million. As at 31 December 2021, the Group had 28 on-going projects (either in progress or yet to commence), including 4 structural works projects and 24 fitting-out works projects.

For FY2021, the Group generated gross profit of approximately MOP17.2 million whereas the Group incurred a gross loss of approximately MOP16.9 million for FY2020, among which fitting-out works projects segment turnaround from gross loss of approximately MOP13.4 million to gross profit of approximately MOP16.9 million, and structural works projects turnaround from gross loss of approximately MOP3.6 million to gross profit of approximately MOP0.6 million. During FY2021, the Group adopted tight cost control measures and hence administrative expenses decreased by approximately MOP2.9 million from approximately MOP31.4 million for FY2020 to approximately MOP28.5 million for FY2021. As a result of the turnaround from gross loss to gross profit as well as the decrease in administrative expenses, the Group’s loss for the year was significantly decreased from approximately MOP54.2 million for FY2020 to MOP10.0 million for FY2021, and loss attributable to the Shareholders also decreased from approximately MOP50.8 million for FY2020 to MOP16.6 million for FY2021.

*FY2020 compared to year ended 31 December 2019 (“FY2019”)*

Revenue of the Group decreased by approximately 43.8% from approximately MOP351.5 million for FY2019 to approximately MOP197.7 million for FY2020. Such decrease was mainly attributable to the prolonged COVID-19 and the overall economic depression in Macau and Hong Kong, resulting substantial delay in the progress of several on-going construction projects. During FY2020, the Group completed 7 fitting-out works projects and was awarded with 14 fitting-out works projects with an aggregate contract sum of approximately MOP221.8 million. As at 31 December 2020, the Group had 35 on-going projects (either in progress or yet to commence), including 6 structural works projects and 29 fitting-out works projects.

Gross profit of the Group decreased from approximately MOP47.6 million for FY2019 to a gross loss of approximately MOP16.9 million for FY2020, among which gross loss of approximately MOP13.4 million was recorded in the fitting-out works projects segment. The gross loss was mainly due to recognition of loss arising from loss-making contracts and increased cost as a result of the substantial delay in progress due to the outbreak of COVID-19. During FY2020, the Group recorded impairment losses on property, plant and equipment, goodwill, right-of-use assets, trade and other receivables and contract assets which amounted to MOP12.6 million as a result of the expected adverse impact brought by COVID-19. As a result of the above, profit of the Group decreased by approximately MOP74.6 million as compared with the prior year and recorded loss of approximately MOP54.2 million and loss attributable to the Shareholders of approximately MOP50.8 million for FY2020.

*Six months ended 30 June 2022 (“6M 2022”) compared to six months ended 30 June 2021 (“6M 2021”)*

Revenue of the Group decreased by approximately 24.7% from approximately MOP130.2 million for 6M 2021 to approximately MOP98.0 million for 6M 2022. Such decrease was mainly attributable to the decrease in revenue generated from fitting-out works projects due to less fitting-out works projects awarded in 2022 and most of the works were completed in 2021, and there were no structural works projects awarded in the past two years. As at 30 June 2022, the Group had 25 on-going projects (either in progress or yet to commence or substantially completed but pending finalisation or agreement of the final accounts), including 3 structural works projects and 22 fitting out works projects.

Due to the decrease in revenue, gross profit of the Group decreased from approximately MOP2.7 million for 6M 2021 to approximately MOP2.3 million for 6M 2022. On the other hand, the Group tightened cost control as a result of the economic recession, which decreased the administrative expenses by approximately 21.2% from approximately MOP14.8 million for 6M 2021 to approximately MOP11.7 million for 6M 2022. Hence, the Group recorded reduction in loss from approximately MOP13.5 million for 6M 2021 to approximately MOP12.1 million for 6M 2022.

*(ii) Financial position*

	<b>As at</b>	<b>As at 31 December</b>		
	<b>30 June</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Non-current assets, including</b>	<b>38,843</b>	<b>39,602</b>	<b>45,399</b>	<b>52,266</b>
Property, plant and equipment	38,843	39,602	40,803	45,621
Financial asset at fair value through profit or loss	—	—	4,596	2,564
<b>Current assets</b>	<b>301,438</b>	<b>328,288</b>	<b>312,268</b>	<b>341,152</b>
Inventories	1,548	1,981	2,832	—
Trade and other receivables	33,903	78,874	118,263	94,812
Contract assets	50,461	66,150	42,758	60,532
Pledged bank deposits	66,312	66,233	65,072	63,518
Bank balances and cash	149,214	115,050	83,343	122,290
<b>Total assets</b>	<b>340,281</b>	<b>367,890</b>	<b>357,667</b>	<b>393,418</b>
<b>Current liabilities</b>	<b>160,156</b>	<b>175,834</b>	<b>155,465</b>	<b>136,850</b>
Trade and other payables	159,380	158,255	124,744	129,339
Contract liabilities	—	—	25,928	206
Lease liabilities	—	148	342	—
Amounts due to non-controlling shareholders of subsidiaries	—	—	3,610	2,472
Tax payable	776	776	841	4,833
Bank overdrafts	—	16,655	—	—
<b>Non-current liabilities</b>	<b>—</b>	<b>—</b>	<b>148</b>	<b>383</b>
Deferred tax liabilities	—	—	—	383
Lease liabilities	—	—	148	—
<b>Net current assets</b>	<b>141,282</b>	<b>152,454</b>	<b>156,803</b>	<b>204,302</b>
<b>Total liabilities</b>	<b>160,156</b>	<b>175,834</b>	<b>155,613</b>	<b>137,233</b>
<b>Equity attributable to the Shareholders</b>	<b>190,416</b>	<b>197,861</b>	<b>204,503</b>	<b>255,277</b>



Non-current assets of the Group decreased from approximately MOP52.3 million as at 31 December 2019 to approximately MOP39.6 million as at 31 December 2021, and further decreased to approximately MOP38.8 million as at 30 June 2022, which was mainly due to depreciation and impairment of property, plant and equipment. Total current assets of the Group decreased by from approximately MOP341.2 million as at 31 December 2019 to approximately MOP312.3 million as at 31 December 2020, which mainly due to decrease in bank balances and cash from approximately MOP122.3 million to approximately MOP83.3 million and decrease in contract assets from approximately MOP60.5 million to approximately MOP42.8 million. Such decrease was generally in line with the significant net cash used in operating activities of approximately MOP40.4 million for FY2020. For FY2021, the operations of the Group recovered and generated net cash of approximately MOP15.0 million from operating activities. Total assets of the Group increased to approximately MOP328.3 million as at 31 December 2021, which was mainly attributable to the increase in bank balances and cash to approximately MOP115.1 million and increase in contract assets to approximately MOP66.2 million. Due to the repayment of the bank overdraft of approximately MOP16.7 million and loss in operation during 6M 2022, current assets decreased to approximately MOP149.2 million as at 30 June 2022.

Total current liabilities of the Group increased by approximately 28.5% from approximately MOP136.9 million as at 31 December 2019 to approximately MOP175.8 million as at 31 December 2021, which mainly due to (a) increase in trade and other payables from approximately MOP129.3 million as at 31 December 2019 to approximately MOP158.3 million as at 31 December 2021; (b) bank overdrafts of approximately MOP16.7 million as at 31 December 2021. The bank overdrafts were repayable on demand and secured by the pledged bank deposits and certain properties of the Group, and bear interests at prime rate minus 1.5%. During 6M 2022, such bank overdraft was repaid and current liabilities of the Group decreased to approximately MOP160.2 million as at 30 June 2022.

As at 30 June 2022, the Group had net current assets of approximately MOP141.3 million and equity attributable to the Shareholders of approximately MOP190.4 million. Taking into account that the Group did not have significant liabilities, the cash position and net current assets as at 30 June 2022, the Group was in a healthy financial position.

***(iii) Overall comment***

Although the financial performance of the Group was adversely affected by COVID-19 in FY2020, the business operations recovered progressively in FY2021 as the pandemic was brought under control. Nonetheless, there were uncertainties in the economy of Macau in FY2021 as the gaming concessions relating to the operation of casinos were yet to be confirmed. While there are uncertainties in the macroeconomic environment due to rebounded COVID-19 cases and international tensions, the Group is cautiously optimistic to the Macau construction industry in 2022 with the help of constructive government policies and the gaming licenses to be awarded by the end of 2022. As businesses and consumers flexibly

accommodate their daily activities to the realities of the pandemic, the Group believes that the economy will soon stabilise and progressively improve in 2023. Given the relatively healthy financial position with cash of approximately MOP149.2 million and no outstanding borrowings as at 30 June 2022, the Group intends to expand its business network and customer base by actively participating in the bidding of both government and private sector projects and exploring business opportunities in Macau and the Mainland China so as to enhance its competitiveness in the industry.

## 2. Information on the Target Company

As stated in the Letter from the Board, the Target Company is a company established on 11 April 2011 in the PRC with limited liability, and is directly owned as to 60% by Vendor A and 40% by Vendor B, respectively. The scope of business of the Target Company pursuant to its business licence\* (營業執照) includes, among others, construction of industrial and civil buildings, foundation piling, building refurbishment, water and electricity installation, water supply and drainage in the PRC. As at the date of the Sale and Purchase Agreement, the Target Company had a paid-up registered capital of RMB10 million.

Prior to the Listing, the Target Company was once a non-wholly owned subsidiary of SFS Construction Macau, being an indirect wholly-owned subsidiary of the Company, that the Target Company was owned as to 60% by SFS Construction Macau and 40% by Vendor B, respectively. Having considered that the day-to-day operation of the Target Company was mainly managed by Vendor B and the Group had no absolute control over the Target Company pursuant to the then joint venture agreement with Vendor B, and that PRC operation was not the Group's then business focus, the Group disposed all its 60% of the equity interest of the Target Company to Vendor A in late 2016 at the consideration of RMB6,000,000, which was determined with reference to the paid-up registered capital of the Target Company contributed by SFS Construction Macau (the "Disposal"). In other words, the implied consideration for the entire equity interest of the Target Company was RMB10,000,000.

The Target Company possessed the necessary licences and permits to engage in the PRC construction industry, including Class Two Main Contractor for Construction Works\* (建築工程施工總承包二級), Safety Production License\* (安全生產許可證) and Class Three Main Contractor for Municipal Public Works\* (市政公用工程施工總承包三級). As at the Latest Practicable Date, the Class Three Main Contractor for Municipal Public Works\* (市政公用工程施工總承包三級) license has expired. Nevertheless, the license remained valid pursuant to the Notice from the Department of Housing and Urban-Rural Development of Guangdong Province on matters related to the qualifications of construction engineering enterprises\* (廣東省住房和城鄉建設廳關於建設工程企業資質有關事宜的通知) dated 7 November 2022.

\* *For identification purposes only*

With the Class Two Main Contractor for Construction Works license, the Target Company could undertake structural works with height not more than 120 meters, industrial and civil buildings with height not more than 100 meters, construction projects with a construction area of not more than 150,000 square meters and construction projects with a single span of no more than 39 meters. To obtain such license, the Company needs to safely completed at least two specified construction projects in the past five years, which include, among others (i) one civil construction project with more than 12 floors or two civil construction projects with 8 to 11 floors; (ii) one construction project with height of more than 50 meters or two construction projects for structures with a height of 35 to 50 meters; (iii) one construction project with a construction area of more than 60,000 square meters or two construction projects with a construction area of more than 50,000 square meters; or (iv) one reinforced concrete structure with a single span of more than 21 meters or two reinforced concrete structure with a single span of 18 to 21 meters.

Set out below is the summary of the key financial information of the Target Company for the two years ended 31 December 2020 and 2021 prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	24,041	—
Net profit/(loss) before tax	129	(961)
Net profit/(loss) after tax	96	(961)

The unaudited net asset value of the Target Company as at 31 December 2021 was approximately RMB23.7 million. As advised by the management of the Group, the loss for the 31 December 2021 was mainly due to the revenue of the Taishan Project, which only commenced in April 2022, was yet to be recognised in 2021.

Pursuant to the unaudited management accounts of the Target Company as at 31 October 2022, the net asset value was approximately RMB21.9 million, the trade receivables were approximately RMB51.0 million, the Tax Withheld was approximately RMB2.9 million, the Amounts due to Vendors were approximately RMB23.2 million, the bank and cash were approximately RMB5.1 million, and the account payables were approximately RMB7.7 million. For the ten months ended 31 October 2022, the Target Company recorded revenue of approximately RMB11.9 million, all of which were attributable to the Taishan project, and loss of approximately RMB0.2 million, which was primarily due to no revenue was generated for the first three months in FY2022.

It is estimated that the account payables of the Target Company as at the Completion Date will be settled by: (i) the then existing bank and cash of the Target Company; (ii) the cash to be received by the Target Company from its recovery of the Threshold; and/or (iii) if the entire amount of the Threshold cannot be recovered by 31 December 2023, the cash to be paid and compensated by the Vendors jointly and severally for such shortfall of Threshold unrecovered.

Since its establishment on 11 April 2011, the Target Company has engaged in and completed eight construction projects in Guangdong province, the PRC with total contract sum of approximately RMB189.0 million, among which four construction projects were with contract sum of over RMB10 million for each project. As at the Latest Practicable Date, the Target Company has one on-going construction project with the contract sum at approximately RMB56.8 million. Such project was commenced on in April 2022 and is expected to be completed by the mid of 2023.

We have obtained and reviewed the legal due diligence report of the Target Company, and noted that the Target Company possessed the required licenses and permits for carrying out construction work in the PRC and such licenses and permits were valid. We have also searched on the website of Guangdong Construction Information Website\* (廣東建設資訊網) (<https://skyppt.gdcic.net/>) and noted that the Class Two Main Contractor for Construction Works\* (建築工程施工總承包二級) license was still valid as at the Latest Practicable Date. As advised by the management of the Group, the Taishan Project only requires the Class Two Main Contractor for Construction Works\* (建築工程施工總承包二級) license and does not require the Class Three Main Contractor for Municipal Public Works\* (市政公用工程施工總承包三級) license which is only applicable for government construction works.

### 3. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, after the Listing, the Group has been continuously exploring opportunities to improve its competitive strengths by actively seeking for new business opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area. Although the wave of COVID-19 virus is spreading in some parts of the PRC recently, in view of the growing vaccination rate and the strong economy recovery measures implemented by the government, the Group believes that the economy in the PRC will stabilise and grow gradually in the first half of 2023. As such, the Group considers that now is the right time to expand its business to engage in the PRC construction industry.

As comparing to establishing a new PRC company, engaging in the PRC construction industry by way of the Acquisition enjoys the following advantages: (i) since the Target Company has already possessed the necessary licences and permits to engage in the PRC construction industry, including but not limited to, the Class Two Main Contractor for Construction Works\* (建築工程施工總承包二級) license and Class Three Main Contractor for Municipal Public Works\*

\* For identification purposes only

(市政公用工程施工總承包三級) license, the Acquisition could allow the Group to save time and costs to establish a new company and acquire the necessary licences and permits; and (ii) the Target Company has one on-going construction project of substantial size, i.e. the Taishan Project, which was commenced in April 2022 and is expected to be completed by the mid of 2023. As stated in the section headed “Information on the Target Company” above, to obtain the Class Two Main Contractor for Construction Works license, the Company would need to complete at least two specified construction projects in five years. Without those track records, the Company will need to first obtain a Class Three Main Contractor for Construction Works\* (建築工程施工總承包三級) license to build its track record, which could only undertake construction projects with smaller scales. Hence, the Acquisition will enable the Group to directly obtain the necessary license to undertake broader range of construction projects upon Completion.

On the other hand, from the perspective of the Target Company, the Acquisition allows it to become a member of a Hong Kong listed company group which is able to gain access to the capital market for fundraising. Backed by the Company which has a larger capital base and the reputation of a company listed on the Main Board of the Stock Exchange, the Directors consider that the Target Company will be in a better position to negotiate and tender for larger-sized and iconic construction projects, which will further develop and strengthen the financial performance of the Target Company and therefore is considered to be ultimately beneficial to the Company and the Shareholders as a whole. It is considered that the Acquisition will achieve a win-win situation.

As stated in “Background information on the Group” above, the Group intends to expand its business network and customer base by actively participating in the bidding of both government and private sector projects and exploring business opportunities in Macau and the Mainland China so as to enhance its competitiveness in the industry. Nonetheless, recent rebounded COVID-19 cases in Macau may have disrupted the pace of the recovery of gaming industry in Macau, and thereby reduced the overall construction needs as well as the overall economic recovery in the Macau market. As affected by the pandemic, the Group recorded substantial loss for FY2020 and while revenue of FY2021 significantly improved, the Group continued to record loss for FY2021 and 6M 2022. As such, it is strategically beneficial to the Group to broaden its income source geographically to diversify its risk under the uncertain macroeconomic environment as affected by the pandemic. The Target Company was owned as to 60% by the Company prior to the Listing and was disposed due to, among others, the construction business in the PRC was not the Group’s then business focus. Given the change in business strategy of the Group and that the Target Company already possess the necessary license, the Acquisition is considered to be in line with the Group’s strategy to expand its construction business to Guangdong-Hong Kong-Macau Greater Bay Area. In addition to the Acquisition, as advised by the management of the Group, the Group is also in negotiation with Ms. Lao Chao U, the daughter of Mr. Lao, the Chief Executive Officer and Executive Director of the Company, and Ms. Vicki Lao for the acquisition of a company which is planned to engage in the provision of construction materials in the PRC. Such acquisition, if materialised, will further enhance the Group’s ability to commence construction business in the PRC. It is also noted that the Consideration was determined with the same basis as the Disposal

with reference to the paid-up registered capital of the Target Company without any premium for the development, track record and reputations established by the Target Company since the Disposal in 2016.

As such, we consider that the Acquisition will enable the Group to diversify its income source efficiently with immediate revenue stream generated from outside the Macau market and thereby promote the business development of the Group, and the Acquisition is in line with the Group's business strategy to expand its construction business. Furthermore, given the listing company status of the Company, we concur with the Directors that the Target Company will be in a better position to secure financing and tender for bigger projects, and thereby improve the financial performance of the Group as a whole upon Completion.

As disclosed under the section headed "Principal terms of the Sale and Purchase Agreement — Payment of Dividend, refund of Tax Withheld and settlement of Amounts due to Vendors" below, in arriving at the Consideration on a post-Dividend basis, it was the common intention of the Vendors and the Purchaser that the benefits and liabilities of the Completed Projects shall continue to be enjoyed and borne by the Vendors.

Pursuant to the unaudited management accounts of the Target Company as at 31 October 2022, it is estimated that the amount of the Dividend to be declared will be approximately RMB11 million to RMB12 million and therefore the net asset value of the Target Company as at the Completion Date after declaring the Dividend will be slightly more than RMB10 million, which is comparable to the Consideration.

Since the unaudited trade receivables of the Target Company as at 31 October 2022 was approximately RMB51.0 million, if a substantial part of the Trade Receivables is unrecoverable, the net asset value of the Target Company as at the Completion Date after declaring the Dividend may be lower than RMB10 million. Therefore, in order to protect the Target Company and the Purchaser, the following measures have been implemented:

- (a) the Vendors' warranties in relation to the Threshold and the Trade Receivables;
- (b) all the costs and expenses in relation to the recovery of the Trade Receivables shall be borne by the Vendors;
- (c) the Tax Withheld will be subtracted from the Consideration and retained by the Target Company;
- (d) the Target Company will not use its existing bank and cash to settle the Dividend;
- (e) the Vendors' entitlement to the Dividend, the Tax Withheld and the Amounts due to Vendors are subject to the post-Completion recovery status of the Trade Receivables;

- (f) the Vendors will only receive payments for the amounts recovered exceeding the Threshold;
- (g) even after the Threshold has been achieved, payments to the Vendors are only made to the portion of the extra cash received on top of the Threshold;
- (h) closely tied up the Vendors' interests with the recovery of the Trade Receivables, this mechanism will encourage the Vendors to assist the Target Company in recovering the Trade Receivables after the Completion;
- (i) if the Vendors had adopted a negative and passive manner in recovering the Trade Receivables resulting in failure to recover the entire amount of the Trade Receivables by 31 December 2024, not only they will breach the aforesaid warranty, but also their entitlements to the Dividend, the Tax Withheld and the Amounts due to Vendors would have been reduced on a dollar-to-dollar basis;
- (j) for example, if the entire Trade Receivables have not been recovered by 31 December 2024, then (i) none of the Dividend, the Tax Withheld and the Amounts due to Vendors will be payable; and (ii) the Purchaser will be entitled to recover the Threshold from the Vendors pursuant to the Sale and Purchase Agreement. This incentivises the Vendors to assist the Target Company in recovering the Trade Receivables entirely; and
- (k) the Vendors also warrant that the net asset value of the Target Company as at the Completion Date after declaring the Dividend will not be less than RMB10 million.

In view of the aforesaid, it is considered that the transaction structure of the Acquisition has been carefully designed to closely tie up the Vendors' interests with the recovery status of the Trade Receivables which can protect the interests of the Target Company and the Purchaser.

If the Acquisition is compared to the situation of setting up a new PRC company with paid-up registered capital at RMB10 million, the Acquisition enjoys the following advantages: (a) time and costs for establishing a new company and acquiring the necessary licences and permits being saved; (b) an on-going project, i.e. the Taishan Project, was already in place in the Target Company; and (c) the track record and reputation of an established construction company, which are all important factors for the Group to compete for new business opportunities arising from the Guangdong-Hong Kong-Macau Greater Bay Area in future. Therefore, for expanding the Group's business to engage in the PRC construction industry, it is considered that the business development and future prospects of the Target Company enjoys a better position as comparing to a newly established PRC company.

Taking into account that (i) the Acquisition represents an opportunity for the Group to expand and diversify its income source geographically; (ii) the Acquisition is in line with the Group's business strategy; and (iii) the Consideration was determined with reference to the paid-up registered capital of the Target Company which was at the same basis under the Disposal, we concur with the Directors that although the Acquisition is not conducted in the ordinary and usual course of the business of the Group, it is in the interest of the Company and the Shareholders as a whole.

#### 4. Industry overview

Set out below are the historical data on (i) investment in property development (房地產開發投資); (ii) sales value of commodity properties (商品房銷售額); and (iii) average selling price of commodity properties in the PRC and Guangdong Province, from 2017 to 2021:

	2017	2018	2019	2020	2021	2017-2021 CAGR
National investment in property development (in RMB billion)	10,979.9	12,016.5	13,219.4	14,144.3	14,760.2	7.7%
Investment in property development in Guangdong Province (in RMB billion)	1,207.6	1,441.2	1,585.2	1,731.3	1,746.6	9.7%
National sales value of commodity properties (in RMB billion)	13,370.1	14,961.4	15,972.5	17,361.3	18,193.0	8.0%
Sales value of commodity properties in Guangdong Province (in RMB billion)	1,879.3	1,874.2	1,974.8	2,257.3	2,232.0	4.4%
National average selling price of commodity properties (in RMB per sq.m.)	7,892.3	8,725.7	9,310.3	9,859.5	10,139.1	6.5%
Average selling price of commodity properties in Guangdong Province (in RMB per sq.m.)	11,776.0	13,073.2	14,262.0	15,141.0	No information	8.7% (2017–2020 CAGR)

Source: National Bureau of Statistics of China



As shown in the table above, the total national investment in property development in the PRC exhibited an upward trend from approximately RMB10,979.9 billion in 2017 to approximately RMB14,760.2 billion in 2021, representing a compound annual growth rate (“CAGR”) of approximately 7.7% during the period. The investment in property development in Guangdong Province also exhibited an upward trend with a higher CAGR of approximately 9.7% from 2017 to 2021. This indicated a moderate growth in supply of properties on the market. At the same time, total sales value of commodity properties in the PRC grew at a CAGR of approximately 8.0% from approximately RMB13,370.1 billion in 2017 to approximately RMB18,193.0 billion in 2021, while that in Guangdong Province grew moderately at a CAGR of approximately 4.4% from 2017 to 2021. Average selling price of commodity properties in the PRC also increased at a CAGR of approximately 6.5% from approximately RMB7,892.3 per sq.m. in 2017 to approximately RMB10,139.1 per sq.m. in 2021, while that in Guangdong Province grew at a CAGR of approximately 8.7% between 2017 and 2020. These indicated the growing demand for commodity properties in the PRC and Guangdong Province which was in line with the growing supply.

According to the National Bureau of Statistics of China, for the six months ended 30 June 2022, total national investment in property development and sales value of commodity properties in the PRC amounted to approximately RMB6,831.4 billion and RMB6,607.2 billion, representing a decrease of approximately 5.4% and 28.9%, respectively, as compared to the corresponding period in 2021. This was primarily attributable to the recurrent outbreak of COVID-19 in various cities in the PRC, the introduction and effecting of various regulations and policies including the “Three Red Lines” policy, land auction and regulatory funding policies and recent debt default of certain large property developers. However, the Directors consider that as economic activities gradually resume after the pandemic situation is kept under control, China’s economic fundamentals will remain stable. In addition, the Chinese government has also directed to facilitate the positive cycle and healthy development of the property industry and launched policies to provide support, such as encouraging banks to revive bank lending and alleviating the home-purchase restrictions.

In summary, although the growth in the Chinese property market may be sluggish in the current period, taking into account that (i) the recurrent outbreak of COVID-19 in the PRC has gradually eased; and (ii) the Chinese government’s dedication to facilitate the healthy development of the property market, the Directors are of the view that the outlook for the property market in the PRC will be cautiously optimistic in the long run.

## 5. Principal terms of the Sale and Purchase Agreement

Set out below is a summary of the principal terms of the Sale and Purchase Agreement. Independent Shareholders are advised to read further details of the Sale and Purchase Agreement as set out in the Letter from the Board.

### *Date*

1 November 2022

### *Parties*

1. New Kingdom Development Company Limited (新國度發展一人有限公司) (as Vendor A);
2. Jiangmen City Pengjiang District Jinying Property Development Company Limited\* (江門市蓬江區晉盈置業發展有限公司) (as Vendor B); and
3. Goldkent Investment Limited (金堅投資有限公司) (as the Purchaser).

Vendor A, namely New Kingdom Development Company Limited (新國度發展一人有限公司), is a company incorporated in Macau with limited liability and is indirectly owned as to 98% by Mr. Lao (the chairman of the Board, an executive Director and a controlling Shareholder) and Mrs. Lao (a controlling Shareholder), and indirectly owned as to 2% by Ms. Vicki Lao, and is therefore a connected person of the Company at the issuer level.

Vendor B, namely Jiangmen City Pengjiang District Jinying Property Development Company Limited\* (江門市蓬江區晉盈置業發展有限公司), is a company established in the PRC with limited liability and is directly owned as to 90% by Mr. Wu Yong Qin and 10% by Mr. Wu Wei Jian. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor B, Mr. Wu Yong Qin and Mr. Wu Wei Jian are Independent Third Parties.

The Purchaser, namely Goldkent Investment Limited (金堅投資有限公司), is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

\* For identification purposes only

*Subject matter of the Acquisition*

The entire equity interest of the Target Company, among which, 60% of the equity interest of the Target Company from Vendor A and 40% of the equity interest of the Target Company from Vendor B respectively.

*Consideration*

The Consideration to be paid by the Purchaser for the Acquisition is RMB6,000,000 (equivalent to HK\$6,420,000) to Vendor A and RMB4,000,000 (equivalent to HK\$4,280,000) to Vendor B, respectively, which, after deducting the Tax Withheld (as defined below), shall be payable by cashier order(s) issued by a licensed bank in the PRC or cheque(s) drawn on a licensed bank in the PRC upon Completion.

Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to deduct and withhold an amount equal to the tax payable of the Target Company as at the Completion Date attributable to the projects of the Target Company completed before the Completion Date (the “**Tax Withheld**”), from the payment of the Consideration. The refund arrangement of the Tax Withheld is set out in the subsection headed “Payment of Dividend, refund of Tax Withheld and settlement of Amounts due to Vendors” below. The Purchaser shall pay to the Vendors (or their designated third parties) the balance of the Consideration (i.e. after deducting the Tax Withheld) on the Business Day that the preparation of the completion accounts of the Target Company has been completed and the amount of the Tax Withheld has been determined. Such date is estimated to be within three (3) months from the Completion Date. As confirmed by the Company, such designated third parties shall be the associates of the Vendors, and the Vendors shall provide written confirmation on the payment instruction such that the payment obligation of the Consideration on the part of the Company is considered to be fulfilled.

*Basis of Consideration*

The Target Company shall declare cash dividend (the “**Dividend**”) to the shareholders of the Target Company immediately before the Completion. The basis of the Consideration has been agreed between the Purchaser and the Vendors on a post-Dividend basis and the Vendors (being the shareholders of the Target Company before the Completion) shall be entitled to the Dividend, while the Purchaser shall not be entitled to the Dividend.

The Consideration was determined between the Purchaser and the Vendors after arm's length negotiations and on normal commercial terms after taking into account, among others, (i) the net asset value of the Target Company after declaring the Dividend; (ii) the paid-up registered capital of the Target Company of RMB10 million; (iii) the current licences and permits possessed by the Target Company; (iv) the project on hand of the Target Company; (v) the business development and future prospects of the Target Company; and (vi) the reasons and benefits set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter of the Board.

Reference is made to the announcement of the Company dated 27 August 2020 in relation to the change in use of proceeds raised by the Company through the global offering upon the Listing that approximately HK\$6.1 million is intended to be utilised for potential merger and acquisition of the Group. The Company shall utilise such reallocated proceeds to settle part of the Consideration of approximately RMB5.7 million (equivalent to approximately HK\$6.1 million), and the remaining balance of the Consideration of approximately RMB4.3 million (equivalent to approximately HK\$4.6 million) shall be funded by the Group's internal resources.

### *Completion*

When the Conditions have been fulfilled or waived by the Purchaser (as the case may be), the Purchaser shall issue to the Vendors a written notice to confirm to proceed to Completion. The Vendors shall, on the third Business Day after the receipt of such notice, apply to have the entire equity interest of the Target Company to be registered under the name of the Purchaser at the relevant industrial and commercial department. The Purchaser shall then pay to the Vendors (or their designated third parties) the Consideration on the fifth Business Day thereafter.

The Completion shall take place no later than the Long Stop Date.

Upon Completion, the Target Company will be wholly-owned by the Purchaser. Therefore, the Company will, through its indirect wholly-owned subsidiary, the Purchaser, be interested in the entire equity interest of the Target Company. The Target Company will also become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Group.

*Payment of Dividend, refund of Tax Withheld and settlement of Amounts due to Vendors*

In arriving the Consideration on a post-Dividend basis, it was the common intention of the Vendors and the Purchaser that the benefits and liabilities of the projects of the Target Company completed before the Completion Date (the “**Completed Projects**”) shall continue to be enjoyed and borne by the Vendors.

As such, the amount of the Dividend payable is determined by the following formula:

Dividend = Amount of the undistributed profits (after tax) of the Target Company as at the Completion Date – Amount of the undistributed profits (after tax) of the Target Company as at the Completion Date attributable to the Taishan Project.

The Dividends represented the undistributed profits (after tax) of the Target Company attributable to the Completed Projects of the Target Company other than the Taishan Project.

The payment of the Dividend, the refund of the Tax Withheld and the settlement of the Amounts due to Vendors shall be by instalments and shall depend on the post-Completion recovery status of the trade receivables of the Target Company as at the Completion Date attributable to the Completed Projects (the “**Trade Receivables**”), the mechanism of which is briefly described below:

(A) If the accumulated amount of the Trade Receivables recovered by the Target Company after the Completion (the “**Trade Receivables Recovered**”) does not exceed the “Threshold”, which is determined by the following formula:

Threshold = Trade Receivables – Dividend – Tax Withheld – Amounts due to Vendors,

the Target Company does not need to pay any amount; and

(B) If the Trade Receivables Recovered exceeds the Threshold, the Dividend payable shall be:

Amount payable = Trade Receivables Recovered – Threshold – Amount previously paid (if any).

If any Trade Receivables are not able to be recovered by 31 December 2024 or are treated as bad debt after the Completion in accordance with the Enterprise Income Tax Law of the PRC\* (中華人民共和國企業所得稅法) and other applicable PRC Laws and accounting standards adopted by the PRC tax authority, the total sum of the Dividend to be payable, the Tax Withheld to be refunded and the Amounts due to Vendors to be settled shall be reduced on a dollar-to-dollar basis.

### *Others*

The Vendors and the Purchaser agree to prepare the completion accounts of the Target Company in accordance with the generally accepted accounting principles in the PRC within three (3) months from the Completion Date.

The Vendors warrant that the net asset value of the Target Company as at the Completion Date after declaring the Dividend, if any, will not be less than RMB10 million.

The Vendors also warrant that the Target Company will be able to recover the entire amount of the Threshold by 31 December 2023 and the entire amount of the Trade Receivables by 31 December 2024. The Vendors shall jointly and severally pay and compensate the Target Company any shortfall if any part of the Threshold has not been recovered by the Target Company by 31 December 2023.

The Sale and Purchase Agreement also contains, among others, the warranties and indemnities given by the Vendors to the Purchaser in relation to litigation, license, non-compliance and tax.

We have obtained and reviewed the unaudited management accounts of the Target Company for the ten months ended 31 October 2022. As at 31 October 2022, the unaudited net asset value of the Target Company was approximately RMB21.9 million, the trade receivables were approximately RMB51.0 million, the Tax Withheld was approximately RMB2.9 million, the Amounts due to Vendors were approximately RMB23.2 million, the bank balance and cash were approximately RMB5.1 million, and the account payables were approximately RMB7.7 million. Although the amount of trade receivable is significant as compared to the net asset value of the Target Company, as disclosed in section headed “Reasons for and benefits of the Acquisition” above, a number of measures have been put in place to enhance the recoverability of the trade receivables. In particular, the Vendors have warranted that the Dividend would only be paid if the amount of Trade Receivables Recovered exceeds the Threshold and that the net asset value of the Target Company as at the Completion Date after declaring the Dividend will not be less than RMB10 million, which

\* For identification purposes only

means the net asset value of the Target Company would not be less than the Consideration after the declaration of Dividend. As the Dividend shall not be paid using the existing bank balances and cash of the Target Company but only from the amounts of trade receivable recovered exceeding the Threshold, with the relevant costs and expenses in relation to the recovery of the Trade Receivables borne by the Vendors, the Target Company could maintain its operations while serving the purposes of segregating the benefits and liabilities of the Completed Projects to the Vendors.

The Threshold amount had taken into account the Dividend, the Amounts due to Vendors and the relevant Tax Withheld. Based on the unaudited management account of the Target Company for the ten months ended 31 October 2022, the Threshold amount would be approximately RMB13.0 million. In other words, the amount of Trade Receivable Recovered will first be allocated to the Target Company for its costs and the Vendors will only be paid with the Dividend after the Target Company recovered the Threshold amount. When the entire amount of Trade Receivables was covered, the amount payable to the Vendors would become the aggregate of the Dividend, the Tax Withheld and the Amounts due to Vendors. Furthermore, the Vendors have also warranted that the Target Company will be able to recover the entire amount of the Threshold by 31 December 2023 and the entire amount of the Trade Receivables by 31 December 2024 pursuant to the Sale and Purchase Agreement. In addition, as advised by the management of the Group, the Target Company had recovered approximately RMB12.6 million of trade receivables during October 2022. Given the above, we consider the Company is safeguarded by the terms of the Sale and Purchase Agreement on the recovery of the trade receivables of the Target Company. Furthermore, we noted that under such mechanism and given the warranty provided by the Vendors, the Consideration would not exceed the net asset value of the Target Company as at the Completion Date after declaring the Dividend, if any. Hence, the Company is paying no more than the cost required for establishing a new company on its own but enjoy the benefits of saving the time and costs for acquiring the requisite licenses and building track records and reputation.

Taking into account (i) the reasons for and benefits of the Acquisition as discussed in the section headed “Reasons for and benefits of the Acquisition” above; (ii) the Consideration is made reference to the paid-up registered capital of RMB10 million, being the same basis as the consideration under the Disposal without any premium for the development, track record and reputation established by the Target Company since the Disposal in 2016; (iii) the terms of the Sale and Purchase Agreement is structured in a way such that the net asset value of the Target Company as at the Completion Date after declaring the Dividend, if any, will not be less than RMB10 million, being the Consideration, hence the Company saved the time and costs for establishing a new company on its own; and (iv) the Company is safeguarded by the terms of the Sale and Purchase Agreement on the recovery of the trade receivables of the Target Company, we consider the terms of the Sale and Purchase Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

## **6. Financial effects of the Acquisition**

### *Earnings*

Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Group. It is expected that the Target Company will contribute to the results of the Group.

### *Gearing ratio*

The gearing ratio of the Group was calculated as total borrowings divided by total equity. Gearing ratio was not applicable as the Group did not have any borrowings as at 30 June 2022. As the Company intends to settle the Consideration by its internal resources, the settlement of the Consideration is not expected to have a material impact on the gearing level of the Group.

### *Working capital*

The bank balances and cash of the Group amounted to approximately MOP149.2 million as at 30 June 2022. Since the Group intends to settle the Consideration by the internal resources of the Group, the balance of the bank balances and cash and therefore the working capital of the Group is expected to decrease.



*Net assets value*

Given that upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results of which will be consolidated into the financial statements of the Group. Since the final Consideration would equal to the net asset value of the Target Company as at the Completion Date due to the proposed Dividend distribution, it is expected that the Acquisition will not have any material impact on the net asset value of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon completion of the Acquisition. In particular, the accounting treatment of the Dividend will be subject to the confirmation with the auditors of the Company. We also do not take into account the future financing exercises which might be carried on by the Group after completion of the Acquisition.

**OPINION AND RECOMMENDATION**

Having taken into account the above principal factors and reasons, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Sale and Purchase Agreement, while not in the ordinary and usual course of business of the Group, is nevertheless in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement.

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**  
**Larry Choi**  
*Managing Director*

*Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENTS

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 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

### A. Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Name of Director	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Approximate of percentage of shareholding in the Company
Mr. Lao <sup>(Note 2)</sup>	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
Mr. Ip Kin Wa	Beneficial owner	60,000,000 (L)	10%

Notes:

- The letter "L" denotes the Director's long position in the Shares.

2. Shares in which Mr. Lao is interested consist of (i) 255,000,000 Shares held by Laos International Holdings Limited (“**Laos International**”), a company wholly owned by Mr. Lao, in which Mr. Lao is deemed to be interested under the SFO; and (ii) 135,000,000 shares held by his spouse, Mrs. Lao through her wholly-owned corporation, WHM Holdings Limited (“**WHM Holdings**”), in which Mr. Lao is deemed to be interested in such Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### **B. Substantial Shareholders’ interests and short positions in Shares, underlying shares and debentures of the Company**

As at the Latest Practicable Date, so far as was known to any Directors or chief executives of the Company, the following interests (other than those of Directors and the chief executives of the Company) of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of Shares <sup>(Note 1)</sup>	Approximate percentage of shareholding in the Company
Mrs. Lao <sup>(Note 2)</sup>	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
Laos International <sup>(Note 3)</sup>	Beneficial owner	255,000,000 (L)	42.5%
WHM Holdings <sup>(Note 4)</sup>	Beneficial owner	135,000,000 (L)	22.5%

*Notes:*

1. The letter “L” denotes the substantial shareholders’ long position in the Shares.
2. Shares in which Mrs. Lao is interested consist of (i) 135,000,000 Shares held by WHM Holdings, a company wholly owned by Mrs. Lao, in which Mrs. Lao is deemed to be interested under the SFO; and (ii) 255,000,000 Shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such Shares under the SFO.
3. Laos International is wholly owned by Mr. Lao, the controlling shareholder, Chairman and executive Director of the Company.

4. WHM Holdings is wholly owned by Mrs. Lao, the controlling shareholder of the Company.

Saved as disclosed above, as at the Latest Practicable Date, no person had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **4. MANAGEMENT CONTRACTS AND INTERESTS IN ASSETS**

As at the Latest Practicable Date, no contract concerning the management and administration of the whole or any substantial parts of the business of the Company has been entered into or existed during the year.

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have been 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 since 31 December 2021 (being the date to which the latest published audited accounts of the company were made up).

### **5. DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

As at the Latest Practicable Date, no other transactions, arrangements or contracts of significance in relation to the Group's businesses to which the Company, its holding company, or any of its subsidiaries was a party, and in which any Director or the Director's connected person had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors and their respective close associates are considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

**7. EXPERT AND CONSENT**

The following sets out the qualification of the expert who have been named in this circular:

<b>Name</b>	<b>Qualification</b>
Rainbow Capital (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert had given and had not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, either directly or indirectly, in any member of the Group;
- (b) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited accounts of the Company were made up).

**8. 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, the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The head office and principal place of business of the Company in Macau is at 10<sup>th</sup> Floor, Edf. Comercial I Tak, No. 126, Rua De Pequim, Macau.

- (c) The Company's Hong Kong branch share registrar and transfer office is Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (d) The company secretary of the Company is Mr. Wong Wah.

#### **10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published at the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.abbuildersgroup.com](http://www.abbuildersgroup.com)) for 14 days from the date of this circular:

- (a) The Sale and Purchase Agreement;
- (b) the letter from the Independent Board committee dated 2 December 2022, the text of which is set out on pages I-1 to I-2 of this circular;
- (c) the letter from the Independent Financial Adviser dated 2 December 2022, the text of which is set out on pages II-1 to II-24 of this circular; and
- (d) the letter of consent from the Independent Financial Adviser dated 2 December 2022, referred to in the above paragraph headed "7. Expert and Consent" in this appendix.

#### **11. LANGUAGE**

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

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## NOTICE OF THE EGM

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# AB BUILDERS GROUP LIMITED

## 奧邦建築集團有限公司

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

**(Stock Code: 01615)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of AB BUILDERS GROUP LIMITED (the “**Company**”) will be held at 10<sup>th</sup> Floor, Edf. Comercial I Tak, No. 126, Rua De Pequim, Macau, on Monday, 19 December 2022 at 3:00 p.m. (the EGM) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “**THAT**

- (a) The Sale and Purchase Agreement (as defined and described in the circular to the shareholders of the Company dated 2 December 2022, a copy of which has been produced to the EGM marked A and initiated by the Chairman of the EGM for the purpose of identification) and the execution thereof and implementation of the transactions thereunder be and are hereby approved, ratified and confirmed; and
- (b) any director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Sale and Purchase Agreement and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to Sale and Purchase Agreement which in his/her opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

Yours faithfully

By Order of the Board

**AB Builders Group Limited**

**Mr. LAO Chio Seng**

*Chairman and Executive Director*

Macau, 2 December 2022

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## NOTICE OF THE EGM

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*Registered office:*

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

*Principal place of business in Macau:*

10<sup>th</sup> Floor, Edf. Comercial I Tak  
No. 126, Rua De Pequim  
Macau

*Notes:*

- (a) The register of members of the Company will be closed from Tuesday, 13 December 2022 to Monday, 19 December 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the EGM, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 December 2022.
- (b) Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (c) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be).
- (d) Completion and delivery of the form of proxy shall not preclude member(s) of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should they so wish, and in such event, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.
- (e) Where there are joint registered holders of any Share(s), any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share(s) shall be accepted to the exclusion of the votes of the other joint holders.
- (f) If a tropical cyclone warning signal No. 8 or above is hoisted or a black rainstorm warning signal or extreme conditions after super typhoons announced by the Macau Government is/are in force at or at any time after 7:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the website of the Company at [www.abbuildersgroup.com](http://www.abbuildersgroup.com) and the HKExnews website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) to notify members of the Company of the date, time and place of the adjourned meeting.

The EGM will be held as scheduled when a yellow or red rainstorm warning signal is in force in Macau.

After considering their own situations, members should decide on their own whether or not they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.



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## NOTICE OF THE EGM

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*As at the date of this notice, the Board comprises five Executive Directors, namely, Mr. Lao Chio Seng, Ms. Lao Chao U, Mr. Roberto Gnanavelu, Mr. Cheang Iek Wai and Mr. Ip Kin Wa; and three Independent Non-executive Directors, namely Mr. Chu Yat Pang Terry, Mr. O'Yang Wiley and Mr. Choy Wai Shek, Raymond, MH, JP.*

*This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.*