

25 July 2024

To: The Independent Board Committee and the Independent Shareholders of Hanison Construction Holdings Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 25 July 2024 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 19 July 2024, the Company and MH entered into the Framework Agreement to provide a framework for regulation of provision of the Services by MH Group to Hanison Group.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Chan Pak Joe, Dr. Lau Tze Yiu, Peter and Dr. Chan Fan Cheong, Tony (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are conducted in the ordinary and usual course of business of Hanison Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the Hanison EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.



INDEPENDENCE

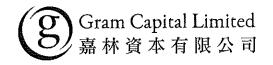
We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.



We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, MH or their respective subsidiaries or associates, nor have we considered the taxation implication on Hanison Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is an investment holding company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange. The principal business activities of Hanison Group are construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sale of health products.



Set out below is a summary of Hanison Group's audited financial information for the two years ended 31 March 2024, as extracted from the Company's annual results announcement for the year ended 31 March 2024 (the "2023/24 AR Announcement"):

	For the	For the	
	year ended	`year ended	
	31 March 2024	31 March 2023	Year-on-year
	("FY2023/24")	("FY2022/23")	change
	HK\$'000	HK\$'000	%
Revenue	1,612,660	1,232,803	30.81
- from construction contract work	1,122,883	904,847	24.10
- from interior and renovation contracts	259,022	190,219	36.17
- from installation of building materials	140,772	56,967	147.11
- from property management services	5,620	11,159	(49.64)
- from sales of health products	11,252	11,220	0.29
- from property agency service	1,844	3,305	(44.21)
- fixed-lease income from property investment	71,267	55,086	29.37
Gross profit	119,855	114,826	4.38
Loss for the year	(216,014)	(38,432)	462.07

As illustrated in the table above, Hanison Group's revenue increased from approximately HK\$1,232.8 million for FY2022/23 to approximately HK\$1,612.7 million for FY2023/24, representing an increase of approximately 30.81%, primarily attributed by the increase in Hanison Group's revenue from construction contract work (the "Construction Division"). Hanison Group's gross profit also increased from approximately HK\$114.8 million for FY2022/23 to approximately HK\$119.9 million for FY2023/24, representing an increase of approximately 4.38%.

Notwithstanding the aforesaid increases in Hanison Group's revenue and gross profit, Hanison Group's loss for FY2023/24 increased by approximately 462.07% as compared to that for FY2022/23. With reference to the 2023/24 AR Announcement and as confirmed by the Directors, such increase in loss was mainly due to (a) decrease in gain on disposal of assets classified as held for sale and liabilities associated with assets classified as held for sale and gain on disposal of property, plant and equipment from FY2022/23 to FY2023/24; and (b) increase in net impairment losses under expected credit loss model, loss on change in fair value of investment properties and finance costs from FY2022/23 to FY2023/24, as partially offset by decrease in share of loss of joint ventures from FY2022/23 to FY2023/24.

With reference to the 2023/24 AR Announcement, the Construction Division's total amount of contracts on hand as at 31 March 2024 was approximately HK\$4,400.7 million, representing an increase of approximately 104.90% as compared to that as at 31 March 2023.



With reference to the 2023/24 AR Announcement, given the government's support and the gradual recovery of the Hong Kong market in the longer term, Hanison Group remains optimistic about the outlook for the coming years. Hanison Group will maintain a cautious approach to property development and investment, with a focus on securing more public sector construction projects.

Information on MH

With reference to the Board Letter, MH is an investment holding company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange. MH Group is principally engaged in the design, supply and installation of facade and curtain walls, aluminium windows and doors.

As at the Latest Practicable Date, CCM Trust (a substantial shareholder of the Company) was interested in approximately 47.4% of the issued shares of MH. MH is a connected person of the Company.

Reasons for and benefits of the Transactions

With reference to the Board Letter, MH Group has been engaged in the business of design, supply and installation of façade and curtain walls, aluminum windows and doors works in Hong Kong for many years. Prior to the spin-off of MH from the Company in 2019, MH Group was part of Hanison Group and from time to time provided the Services to Hanison Group for its Construction Projects; and Hanison Group has been satisfied with quality and competence of MH Group to provide the Services. MH Group has also maintained a good reputation within the industry since its spin-off from Hanison Group in 2019.

As advised by the Directors, the Services to be provided by MH Group shall account for Hanison Group's costs of sales of Construction Division, which are in Hanison Group's ordinary and usual course of business and the Transactions shall be entered into on a frequent basis. The Directors consider that it would be less burdensome for the Company to enter into the Framework Agreement than to make separate disclosure of each relevant transaction and to obtain separate approval from the Independent Shareholders as required by the Listing Rules (if necessary).

We noted from the Framework Agreement that the scope of the Services is related to Hanison Group's principal business (in particular, the Construction Division), and terms offered by MH Group shall be no less favourable to Hanison Group than those offered by MH Group to independent third parties.

Having considered the above, we are of the view that the Transactions are conducted in the ordinary and usual course of business of Hanison Group and are in the interests of the Company and its Shareholders as a whole.



Principal terms of the Transactions

Set out below are the principal terms of the Transactions, details of which are set out under the section headed "(II) FRAMEWORK AGREEMENT" of the Board Letter.

Date

19 July 2024

Parties

- (1) Hanison
- (2) MH

Term

Subject to the approval of the independent shareholders of Hanison and MH at the Hanison EGM and the MH EGM respectively, the Framework Agreement will be effective from 1 April 2024 up to and including 31 March 2027, unless terminated earlier in accordance with the provisions of the Framework Agreement. Upon expiry of the Framework Agreement, the parties may renew the Framework Agreement subject to compliance with the Listing Rules.

Subject matter

Developer or main contractor of a building construction project will typically invite tenders from subcontractors in respect of the various aspects of the building construction works. Generally, MH Group may be selected as a nominated sub-contractor by a developer, or as a domestic subcontractor that is chosen by the main contractor, to perform certain works in a building construction contract. Under the Framework Agreement, relevant member(s) of MH Group may from time to time submit quotations or tenders to provide the Services for the Construction Projects. If MH Group is selected to provide Services on a Construction Project, relevant member of Hanison Group (as the main contractor in respect of the Construction Project) shall engage relevant member(s) of MH Group to provide the Services which form the subject of the Transactions.

Relevant members of Hanison Group and MH Group will enter into subsidiary agreements covering the Transactions envisaged under the Framework Agreement. Each subsidiary agreement will set out the particulars and the terms upon which particular Services shall be rendered by relevant member of MH Group to relevant member of Hanison Group. The terms of each subsidiary agreement shall comply with the terms of the Framework Agreement and the relevant requirements under the Listing Rules. Payment of the contract sum is by stages and will be settled in accordance with the terms of the subsidiary agreement.



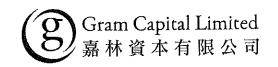
Payment terms

The Framework Agreement provides that payments of contract sums must be settled in accordance with the terms of the relevant subsidiary agreements. MH Group will be engaged to provide the Services on a project-by-project basis, and the terms of a subsidiary agreement in respect of a transaction under the Framework Agreement will vary depending on the project. In general, the subsidiary agreement would set out a lump sum fixed price for the Services for each project and will provide a mechanism for staged payments. Typically, progress payment applications would be submitted by MH Group on a monthly basis for the work done during that month. The appointed architects of the project or the main contractor (i.e. the relevant member of Hanison Group in respect of a Transaction) will examine the work done and issue a payment certificate to MH Group. MH Group will then issue an invoice according to the payment certificate, and it generally takes 30 to 44 days after the issue of the payment certificate for MH Group to receive payment. Payments are effected by cheque, autopay or bank transfer, generally to mirror the mechanics under the main contract for the project. The final account in respect of each project will also be issued to MH Group after the defects liability period (a period during which MH Group will be responsible, at its own costs, for remedial works which may arise in respect of any defective works or sub-standard materials used), and the outstanding balance presented in the agreed final account represents full and final settlement to MH Group regarding the project.

Pricing basis and internal control procedures

The Transactions in respect of each Construction Project shall be entered into by Hanison Group and MH Group on normal commercial terms or terms no less favourable to Hanison Group than those offered by MH Group to Independent Third Parties, and those offered to Hanison Group by Independent Third Party service providers, and the contract sum shall be determined on a project-by-project basis by reference to, among other things, (i) the nature or type of design and the technical requirements of the project; (ii) the costs budget; (iii) the target completion date of the project; (iv) MH Group's projects on hand and the availability of MH Group's resources; and (v) the scale of the project.

The tender procedures for sub-contracting works in respect a Construction Project generally involve the following stages: (i) the invitation to tender from Hanison Group; (ii) submission of tenders by sub-contractors to Hanison Group; and (iii) assessment of the tenders by Hanison Group. Hanison Group maintains a list of approved sub-contractors, and will typically obtain at least three tenders for a sub-contract. The project manager would work with assigned staff to carry out a full analysis of the tenders in respect of the proposed contract sum, contractual terms and technical viability. Sub-contractors, where considered appropriate, may be invited to attend a tender interview, where the parties may have further discussions to clarify the scope of work, technical queries, construction programme and cost, among other things. The tenders will be assessed based on, among other factors, the tender amount offered by the bidders, the past performance, relevant experience and technical competencies of the bidders, prior business



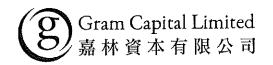
relationships (if any), and quality of service of the bidders. After tender assessment, the preferred tenderer will be proposed for the approval of the senior management of Hanison Group. If approval is obtained, relevant member of Hanison Group will enter into a binding agreement with the successful bidder in respect of the Services.

If the price and terms offered by MH Group are equal or better than those offered by other Independent Third Party service providers, Hanison Group may award the contract to MH Group. As a tender is assessed on a combination of factors, a contract may be awarded to a subcontractor in circumstances even where it has not offered the lowest price but there are other qualitative factors, such as perceived quality of service, ability to meet a timetable or overall payment terms, which Hanison deems to be more relevant or determinative in all of the circumstances than pricing alone. Where MH Group is proposed as a nominated sub-contractor (i.e. it is directly selected by a developer), the price and the terms of the contract would generally be negotiated and agreed with the developer separately, and the relevant contract would then be entered into between the relevant member of MH Group and the main contractor for the project (i.e. the relevant member of Hanison Group in the case of a Construction Project).

With reference to the Board Letter, the Company established certain internal control measures in order to ensure that the Transactions adhere to normal commercial terms or better, including (1) prior to entering into any subsidiary agreement under the scope of the Framework Agreement, the Independent Review Committee (which shall comprise exclusively executive directors and/or senior management of the Company who are in all respects independent of and have no responsibilities for or roles with MH or CCM Trust or any of their respective affiliates (excluding Hanison Group) must pre-vet and approve the terms of the subsidiary agreement to ensure that it is consistent with the principles and provisions of the Framework Agreement; and (2) the Independent Review Committee will regularly review whether the Transactions have been conducted in accordance with the terms of the respective subsidiary agreement and the Framework Agreement. Details of the internal control measures (the "IC Measures") are set out under the section headed "(IV) INTERNAL CONTROL PROCEDURES" of the Board Letter.

For our due diligence purpose, we obtained and reviewed the latest version of the construction policy and procedure of Hanison Group (the "Construction Policy"). We understood from the Directors that the Construction Policy is applied to the Construction Division for all matters relevant to Construction Division's operation (including, the selection of sub-contractors irrespective of their relationship with Hanison Group) to ensure appropriate internal controls are in place. We noted from the Construction Policy that:

 the Construction Policy is reviewed annually and the latest version was approved by Mr. Wong Sue Toa Stewart (Executive Director and Managing Director of the Company) on 31 March 2024.



- the Construction Policy governs, among other things, project planning and approval
 process, formation of project team, selection of suppliers and sub-contractors,
 procurement procedures, quality control and internal reporting.
- the Construction Division would maintain a list of approved sub-contractors and would invite at least 3 tenderers to tender for a sub-contract. The project manager of the relevant project team shall instruct and co-ordinate with assigned staff to carry out full analysis of the tenders submitted by the tenderers, in respect of proposed contract sum, contractual terms and technical viability. The sub-contractor shall be selected by the project team based on, among other things, the tender price, technical capability, relevant work credentials and prior work relationship with the Construction Division. After reviewing the tenders and interviewing the tenderers, the project manager shall co-ordinate with the assigned staff to propose a preferred tenderer for senior management's final decision of tender award.

To assess the effectiveness of the Construction Policy, we obtained from the Company a copy of commitment application form (for tender evaluation and approval) (the "Form(s)") in relation to the tender selection for a sub-contract, for each of 2022, 2023 and 2024. We noted from the Forms that the tenders were submitted by three tenderers and the sub-contractors selected by the relevant project team were subject to approval by head of quantity surveying department and project director of relevant project, General Manager of the Company (i.e. Mr. Tai Sai Ho) and Managing Director of the Company (i.e. Mr. Wong Sue Toa, Stewart).

Having reviewed the Forms and the Construction Policy, we are of the view that (i) the sub-contractors underlying the Forms were selected in accordance with the Construction Policy; and (ii) the procedures on selection of sub-contractors as set out in the Construction Policy are principally in line with that under the Transactions. Given that the IC Measures also incorporated additional review and approval procedures by the Independent Review Committee, we consider the effective implementation of the IC Measures would help to ensure that the Transactions shall be entered into according to the pricing basis.

Annual Caps

Set out below are the Annual Caps for the three years ending 31 March 2027:

		For the year ending 31 March 2026 ("FY2025/26") HK\$	
Proposed annual caps	80,000,000	80,000,000	80,000,000



With reference to the Board Letter, the Annual Caps were determined with reference to, among other things, (i) the total number of contracts put out for tender for the Services by Hanison Group in calendar years 2021, 2022 and 2023 (the "Historical Tender Project(s)") and their average contract sum of approximately HK\$68.3 million, HK\$53.0 million and HK\$89.5 million, respectively; and (ii) the anticipated development plans of Hanison Group for the three years ending 31 March 2027 and the existing and potential pipeline of Construction Projects of Hanison Group. Details of the determination basis of the Annual Caps are set out in the subsection headed "Annual Caps" under the section headed "(II) FRAMEWORK AGREEMENT" of the Board Letter.

As mentioned in the section headed "Reasons for and benefits of the Transactions" above, the Services to be provided by MH Group shall account for Hanison Group's costs of sales of the Construction Division. We noted from the 2023/24 AR Announcement that the Construction Division's total amount of contracts on hand as at 31 March 2024 was approximately HK\$4,400.7 million with 9 major Construction Projects undertaken, including construction works for residential and commercial development, public housing development and industrial redevelopment. As main contractor of the Construction Projects, Hanison Group is often required to invite tenders from sub-contractors for various aspects of building construction works, including the Services. Based on the aforesaid, we do not doubt Hanison Group's demand for the Services for the three years ending 31 March 2027.

With reference to the Board Letter, the Annual Caps were formulated on the basis that MH Group would enter into two contracts with Hanison Group (the "Expected Contract(s)") during FY2024/25, each of which would last for two years with an estimated average contract sum of HK\$80 million (the "Estimated Average Contract Sum"). For our due diligence purpose, we obtained the list of Historical Tender Projects and noticed their average contract sum for each of the three calendar year ended 31 December 2023 (i.e. approximately HK\$68.3 million, HK\$53.0 million and HK\$89.5 million for 2021, 2022 and 2023 respectively). The Estimated Average Contract Sum is within the aforesaid range.

Upon our enquiry, the Directors advised us that:

- (i) As the Expected Contracts would last for two years, the Estimated Average Contract Sum would be payable in two years (i.e. HK\$40 million for each year). Under this circumstance, Hanison Groups' amount payable under the Transactions for each of FY2024/25 and FY2025/26 is expected to be HK\$80 million (as derived by HK\$40 million x 2).
- (ii) As the two Expected Contracts to be entered during FY2024/25 would last for two years, they are expected to be completed during FY2026/27. Thereafter, Hanison Group expects to enter into another two Expected Contracts during FY2026/27. Under this circumstance, Hanison Groups' amount payable under the Transactions for FY2026/27 is expected to be HK\$80 million (as derived by HK\$40 million x 2).



Having considered the above and Hanison Group's pipeline of Construction Projects (the Construction Division's total amount of contracts on hand as at 31 March 2024 was approximately HK\$4,400.7 million), we are of the view that the aforesaid basis adopted in formulating the Annual Caps to be justifiable.

In light of the above, we consider the Annual Caps for the three years ending 31 March 2027 are fair and reasonable.

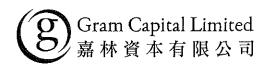
Shareholders should note that as the Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 March 2027, and they do not represent forecasts of costs to be incurred from the Transactions. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Transactions will correspond with the Annual Caps.

Having considered the principal terms of the Transactions above, we are of the view that the terms of the Transactions (including the Annual Caps) are on normal commercial terms and are fair and reasonable.

LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Transactions must be restricted by the Annual Caps; (ii) the terms of the Transactions (including the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material aspects, in accordance with the pricing policies of Hanison Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps. In the event that the total amount of the Transactions is anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for the continuing connected transactions pursuant to the Listing Rules by the Company, we are of the view that there are adequate measures in place to monitor the Transactions (together with the Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.



RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of Hanison Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the Hanison EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited

Graham Lam

Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.