

**Royal Deluxe Holdings Limited**

Unit A, 22/F, T G Place

10 Shing Yip Street

Kwun Tong, Kowloon

Hong Kong

Attention: Independent Board Committee

28 May 2025

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO RENEWAL OF  
THE GTM FRAMEWORK AGREEMENT AND  
THE GTS FRAMEWORK AGREEMENT**

**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 continuing connected transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement, particulars of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 28 May 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 16 April 2025, the Company entered into (i) the GTM Framework Agreement with GT Material to renew the 2022 GTM Framework Agreement, pursuant to which GT Material agreed to provide and transport construction materials; and (ii) the GTS Framework Agreement with GT Scaffolding to renew the 2022 GTS Framework Agreement, pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services, from time to time to the Group upon the Company’s request from 16 April 2025 to 31 March 2028 (the “**Proposed Transactions**”).



As stated in the Letter from the Board, GT Material and GT Scaffolding are wholly-owned by Ms. Ann Wang, the sister of Mr. Wang Kei Ming, the chairman of the Board and an executive Director; the sister-in-law of Ms. Chao Lai Heng, the chief executive officer and an executive Director; and the aunt of Mr. Wang Yu Hin, an executive Director. Both GT Material and GT Scaffolding are therefore connected persons of the Company and the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) for the proposed annual caps under each of the GTM Framework Agreement (the “**GTM Proposed Annual Caps**”) and the GTS Framework Agreement (the “**GTS Proposed Annual Caps**”) exceeds 5%, the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Each of Mr. Wang Kei Ming, the chairman of the Board and an executive Director, Ms. Chao Lai Heng, an executive Director, and Mr. Wang Yu Hin, an executive Director, is being regarded as having a material interest in the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement, and has abstained from voting on the relevant resolutions of the Board for approving the GTM Framework Agreement and the GTS Framework Agreement. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, save for Mr. Wang Kei Ming, Ms. Chao Lai Heng and Mr. Wang Yu Hin, none of the Directors has any material interest in the GTM Framework Agreement and the GTS Framework Agreement and none of them is required to abstain from voting on the relevant resolutions of the Board.

Any Shareholder with a material interest in the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement and his associates shall abstain from voting at the EGM. As at the Latest Practicable Date, Wang K M Limited and K C Limited, each of which are owned by Mr. Wang Kei Ming and Ms. Chao Lai Heng as to 50%, respectively, held 850,800,000 Shares in aggregate, representing 70.9% of the issued share capital of the Company. In addition, Mr. Wang Yu Hin held 9,880,000 Shares, representing 0.8% of the issued share capital of the Company, as at the Latest Practicable Date. Accordingly, Wang K M Limited, K C Limited and Mr. Wang Yu Hin are required to abstain from voting on the resolutions to approve the GTM Framework Agreement, the GTS Framework Agreement, their respective annual caps and the transactions contemplated thereunder at the EGM.



The Independent Board Committee, comprising Mr. Lai Ah Ming Leon, Mr. Kwong Ping Man and Mr. Sio Kam Seng, all being independent non-executive Directors, has been established to consider the GTM Framework Agreement and the GTS Framework Agreement, and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the GTM Framework Agreement and the GTS Framework Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether they are on normal commercial terms or better and are in the ordinary and usual course of business of the Group; (iii) whether they are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to be proposed at the EGM to approve the GTM Framework Agreement and the GTS Framework Agreement and the transactions contemplated thereunder.

We, Asian Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **OUR INDEPENDENCE**

During the past two years, there have been no engagements between the Company and Asian Capital Limited. As at the Latest Practicable Date, there have been no relationships or interests existing between (i) Asian Capital Limited and (ii) the Group, GT Material and GT Scaffolding or any of their respective subsidiaries or associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered, among other things, (i) the 2022 GTM Framework Agreement and the 2022 GTS Framework Agreement; (ii) the GTM Framework Agreement and the GTS Framework Agreement; (iii) the annual report of the Company (“**2022/23 Annual Report**”) for the year ended 31 March 2023 (“**FY2023**”); (iv) the annual report of the Company (the “**2023/24 Annual Report**”) for the year ended 31 March 2024 (“**FY2024**”); (v) the interim report of the Company (the “**2023/24 Interim Report**”) for the six months ended 30 September 2023 (“**HY2024**”); (vi) the interim report of the Company (the “**2024/25 Interim Report**”) for the six months ended 30 September 2024 (“**HY2025**”); (vii) other information as set out in the Circular; and (viii) relevant market data and information available from public sources.



We have also relied on (i) our discussions with the Directors and the senior management of the Company (collectively, the “**Management**”); (ii) our research on market data; and (iii) statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the Management. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us are true and accurate at the time they were made and continue to be accurate as at the Latest Practicable Date.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Management in the Circular were reasonably made after due enquiries and careful consideration.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company as set out in the Circular, nor have we conducted an independent investigation into the business affairs, internal control or assets and liabilities of the Group or any of the other parties involved in the Proposed Transactions. 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.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Proposed Transactions, the GTM Proposed Annual Caps and the GTS Proposed Annual Caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.



## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholder, we have taken into account the following principal factors and reasons:

### 1. Background information of the Group

#### 1.1 Principal business of the Group

The Group is principally engaged as a subcontractor specialising in providing formwork erection as well as related ancillary services in Hong Kong. The Group has been engaged in the formwork business since 1994. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the Group's ultimate customers are owners of the projects, which include the Government of Hong Kong, public transport operators and property developers.

#### 1.2 Historical financial information of the Group

Set out below is a summary of the consolidated statement of profit or loss of the Group for FY2023, FY2024, HY2024 and HY2025 as extracted from the 2022/23 Annual Report, the 2023/24 Annual Report, the 2023/24 Interim Report and the 2024/25 Interim Report.

|                                   | FY2023<br>(Audited)<br>HK\$'000 | FY2024<br>(Audited)<br>HK\$'000 | HY2024<br>(Unaudited)<br>HK\$'000 | HY2025<br>(Unaudited)<br>HK\$'000 |
|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Revenue                           | 702,112                         | 783,575                         | 361,001                           | 335,631                           |
| Gross Profit                      | 65,625                          | 66,452                          | 34,249                            | 19,326                            |
| Profit/(loss) for the year/period | 21,412                          | 9,770                           | 7,563                             | (2,920)                           |

For FY2024, the Group recorded revenue of HK\$783.6 million, representing an increase of 11.6% or HK\$81.5 million when compared with that for FY2023. According to the 2023/24 Annual Report, the increase in revenue was mainly due to the satisfactory progresses of the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at the Hong Kong International Airport ("HKIA") and certain building formwork projects, including Kai Tak Area IE Phase 1 Public housing development and construction of Ventilation Buildings for Central Kowloon Route for FY2024 as compared to those for FY2023.



The Group recorded a 1.3% increase in gross profit to HK\$66.5 million in FY2024 compared to HK\$65.6 million recorded in FY2023. The increase in gross profit was mainly driven by more construction projects engaged for FY2024 as compared to those for FY2023.

For HY2025, the Group recorded revenue of HK\$335.6 million, representing a decrease of 7.0% or HK\$25.4 million when compared with that for HY2024. The decrease in revenue was mainly due to the delay of site instructions and variations assessments for a major subcontract for formwork at L2 Lyric Theatre Complex and the postponement of subcontracts for public housing building formwork at Tung Chun Area 103 for HY2025.

The Group's gross profit decreased by 43.6% or approximately HK\$14.9 million from HK\$34.2 million for HY2024 to HK\$19.3 million for HY2025. Such decrease was mainly due to the decrease in revenue during HY2025 along with the Group's gross profit margin decreased from approximately 9.5% for HY2024 to approximately 5.8% for HY2025.

With reference to the 2023/24 Annual Report, as at 31 March 2024, the Group had a total of twelve (31 March 2023: ten) projects on hand with the estimated total outstanding value of approximately HK\$1,014.1 million for FY2024, representing an increase of approximately 127.7% as compared with approximately HK\$445.4 million for FY2023. These contracts are expected to be completed in around one to three years.

While the revenue for HY2025 decreased when compared to that of HY2024, having considered (i) the growth in revenue during FY2024; (ii) the Group had a total of nine ongoing construction projects in FY2025 which are expected to be continued during the financial year ending 31 March 2026 ("FY2026"); and (iii) the addition of new projects expected in FY2026, we concur with the Management that the Group's demand for materials and relevant services for construction projects for FY2026 will increase.

## **2. GTM FRAMEWORK AGREEMENT**

### ***2.1 Background information of GT Material and business relationship with the Group***

GT Material is incorporated in Hong Kong on 10 March 2000. GT Material is principally engaged in trading of construction materials in Hong Kong.

The Group has had a good and long-standing relationship with GT Material and the Group has purchased timber materials from GT Material since 2003.



## ***2.2 Principal terms of the GTM Framework Agreement***

As extracted from the Letter from the Board, the principal terms of the GTM Framework Agreement are as follows:

- Date: 16 April 2025
- Parties: (i) The Company  
(ii) GT Material
- Subject: Pursuant to the GTM Framework Agreement, GT Material agreed to provide and transport construction materials, including timber materials, for the Group.
- Term: The GTM Framework Agreement has a fixed term from 16 April 2025 to 31 March 2028 (both days inclusive).

### ***Pricing policy and payment term***

The price payable for the construction materials and transport services under the GTM Framework Agreement by the Group to GT Material shall be determined after arm's length negotiation with reference to the prevailing market price for the same or similar products and services as charged by independent third party vendors or by GT Material to other independent third parties from time to time. As set out in the Letter from the Board, in order to ensure that the prices are fair and reasonable and in line with prevailing market rate, the Group will obtain at least three quotations from providers who supply similar products or services and are third parties independent of the Company and its connected persons, not less frequently than on a quarterly basis or for each project. Such quotations are compared against the quotations from GT Material and GT Material's quotations are only accepted if they are favourable to the Group. The payment for the transactions contemplated under the GTM Framework Agreement is generally settled within 30 days upon delivery of construction materials or within 30 days upon the presentation of invoice for the services provided.

In assessing the terms of the GTM Framework Agreement, we have reviewed and compared the terms with those of the 2022 GTM Framework Agreement, and noted that the term and the pricing policy of the GTM Framework Agreement are consistent with those of the 2022 GTM Framework Agreement.



As advised by the Management, the Group conducts a quarterly quotation process for purchasing timber materials and transport services. Quotations are obtained from at least four suppliers (including GT Material and at least three independent third party suppliers) for each type of material/service, unless (i) there are no changes from previous quotes; or (ii) the materials/services are not required in the upcoming quarter; or (iii) supplier(s) are unable to provide quotations due to project complexity. Quotes are generally valid for the next quarter. After reviewing all quotes, the Company selects the best offer and places orders with the chosen supplier based on project progress during the quarter. We were further given to understand that supplier(s) (in particular GT Material) may offer further discounts to the Group if the transportation of timber materials is arranged by the Group instead.

In order to understand the quotation evaluation and purchase processes, we have reviewed a list of all quotations (for the purchase of timber materials and transport services) obtained by the Group during the period from 1 April 2022 up to 28 February 2025 (the “Review Period”). We also obtained a list of all the transactions with GT Material during the Review Period. We noted that the total transaction amounts matched with the historical transaction amounts in respect of the transactions under the 2022 GTM Framework Agreement for FY2023, FY2024 and the eleven months ended 28 February 2025.

From the above list of quotations, we requested and reviewed all quarterly quotations (25 sets in total) sought for the required purchases (including timber materials and transport services) during the Review Period. From the quarterly quotations we obtained, we noted that the Company obtained at least three quotations from independent third party suppliers, except for the HKIA project. As advised by the Management, while the Company sought quotations from four independent third party suppliers for the HKIA project, due to project complexity, the number of independent third party suppliers that could provide quotations at relevant time was limited and only one independent third party supplier quotation for the HKIA project was obtained. As advised by the Company, the construction sites for the HKIA project located on rugged terrain with high humidity conditions which would significantly increase the chance of vehicle wear and tear. In this regard, we understand from the Management that the independent third party suppliers were not able to provide quotations at the relevant time because they did not have the resources capacity to take up or were not willing to take up such a large scale and complex project. As advised by the Management, based on the Company’s past completed projects, only one project (i.e. HKIA project) encountered challenges of such complexity that only limited independent third party supplier was able to provide a quotation. Given the foregoing, we are of the view that this is a one-off special circumstance that is justifiable and that the Group has conducted quarterly quotation process in accordance with the pricing policy. Further, when reviewing the aforesaid quarterly quotations, we also noted that the Group’s independent third party suppliers generally grant a credit period of 30 days for similar products and services, which is the same as that offered by GT Material. As such, we concur with the Directors’ view that the payment terms under the GTM Framework Agreement are fair and reasonable and on normal commercial terms or better.



Based on our review, we noted that the unit purchase prices offered by GT Material to the Group in the 23 sets out of 25 sets of quotations (including the quotation for the HKIA project) for timber materials and transport services at relevant times were no less favourable than those quoted by other independent third party suppliers. For the other two sets of quotations, we noted that the unit purchase prices of certain types of timber materials/transportation services provided by GT Material are higher than those quoted by other independent third parties suppliers. We noted that during the relevant periods of which the aforementioned two sets of quotations were valid, the Group did not purchase that particular type of timber materials/transportation services from GT Material.

In addition, we randomly selected four sets of transaction documents for each year covering FY2023, FY2024 and the year ended 31 March 2025 (“FY2025”) (including purchase orders, invoices and delivery notes). We compared the unit purchase prices on the invoices against the quoted price and noted that the unit purchase prices as stated in the invoices are consistent with that of the quotations. We noted that GT Materials was selected only if the unit purchase prices offered by GT Material are lower than that offered by the other independent third party suppliers. Given that the objective of our selected transaction documents is to understand the quotation evaluation process and the whole purchase process, we consider the selected samples are sufficient and representative. Hence, we are of the view that the quotation evaluation and purchase process for the selected samples above are conducted in accordance with the Group’s pricing policy as stated in the Letter from the Board of this Circular.

Given that (i) we have requested and reviewed all quarterly quotations sought for the required purchases (including timber materials and transport services) during the Review Period; (ii) the objective of our selected transaction documents is to understand the quotation evaluation process and the whole purchase process; and (iii) purchase prices of the selected transaction documents are comparable to quarterly quotations offered by other suppliers at relevant times, we are of the view that the sample documents reviewed are fair and representative that suffice for us to gain the relevant understanding of the quotation evaluation and purchase processes.

In respect of the purchase made under the 2022 GTM Framework Agreement during the FY2023 and FY2024, we noted that the independent non-executive Directors reviewed and confirmed that the purchase was entered into:

- a. in the ordinary and usual course of business of the Group;



- b. on normal commercial terms or better; and
- c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Further, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the 2022 GTM Framework Agreement during FY2023 and FY2024 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions.

Having considered the above, we are of the view that the terms and conditions of the GTM Framework Agreement are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned.

### 2.3 The historical annual caps and the GTM Proposed Annual Caps

Set out below are the historical annual caps and transaction amounts in respect of the transactions under the 2022 GTM Framework Agreement for FY2023, FY2024 and the eleven months ended 28 February 2025; and the GTM Proposed Annual Caps for FY2026, FY2027 and FY2028, respectively.

|                                | FY2023<br>(HK\$'000) | FY2024<br>(HK\$'000) | FY2025<br>(HK\$'000)                              |
|--------------------------------|----------------------|----------------------|---|
| Historical annual caps         | 17,500               | 17,500               | 17,000  |
|                                |                      |                      | The eleven<br>months ended<br>28 February<br>2025 |
|                                | FY2023<br>(HK\$'000) | FY2024<br>(HK\$'000) | (HK\$'000)<br>(unaudited)                         |
| Historical transaction amounts | 10,669               | 17,302               | 11,929  |
| Utilisation rate               | 60.97%               | 98.87%               | 70.17%  |
|                                | FY2026<br>(HK\$'000) | FY2027<br>(HK\$'000) | FY2028<br>(HK\$'000)                              |
| GTM Proposed Annual Caps       | 20,000               | 20,000               | 20,000  |



As depicted from the table above, we note that (i) the utilisation rates of the historical annual caps in relation to construction materials and services provided by GT Material to the Group under the 2022 GTM Framework Agreement were approximately 60.97%, 98.87% and 70.17% for FY2023, FY2024 and the eleven months ended 28 February 2025 respectively; (ii) the GTM Proposed Annual Caps for FY2026 will increase by approximately 17.65% as compared to that for FY2025; and (iii) the GTM Proposed Annual Caps will remain at the same level for FY2027 and FY2028.

As advised by the Management, the existing annual cap for FY2023 was not fully utilised mainly due to the delay in commencement of the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at HKIA for over a year to the fourth quarter of FY2023, resulting in a decrease in the purchase of construction materials.

As stated in the Letter from the Board, the GTM Proposed Annual Caps for the three years ending 31 March 2028 have been determined after taking into consideration (i) the historical amounts of timber materials and transport services requested from GT Material; (ii) the Group's demand for timber materials and transport services for its existing construction projects; and (iii) demand for timber materials and transport services from forecast of new projects expected to be undertaken by the Group and expected future demand of the construction industry.

The Group has further estimated the GTM Proposed Annual Cap for FY2026 with reference to (i) the existing projects on hand, which are expected to consume timber materials of approximately HK\$6.2 million; (ii) the forecast of new projects to be awarded (including new variation orders) in future that will generate revenue of approximately HK\$181.7 million, which are expected to require additional timber materials from GT Material of approximately HK\$1.8 million based on the past experience and the Group's capacity; and (iii) the transportation and storage charges and rental of equipment and vehicles of approximately HK\$12 million with reference to the historical transaction amounts in past years.



The Directors considered it probable that the Group could achieve the forecasted revenue from new projects and variation orders given that (i) the Group has successfully secured new projects with contract value of approximately HK\$575.9 million during FY2025; (ii) the Group's customers have requested the Group to undertake variation works from time to time and variation orders of approximately HK\$65.2 million were undertaken during FY2025; and (iii) the Group has submitted certain tenders and quotations and some of which have been in advanced round of screening. For the transportation and storage charges and the rental of equipment and vehicles, the Group has estimated the proposed annual cap for relevant charges with reference to the historical transaction amounts with GT Material of approximately HK\$10.7 million and HK\$10.4 million for FY2024 and FY2025, respectively. In order to cater for the demands from variation orders of projects that may arise from time to time, a buffer of approximately 10% has been factored in for the estimation of the proposed annual caps. The Group expects that the future project size and quantity will remain relatively stable for the next three years in view of that (i) the Group has maintained a stable number of projects in its project backlog at 10, 12 and 9 as at 31 March 2023, 2024 and 2025, respectively; (ii) the Group has recorded a stable revenue of approximately HK\$702 million and HK\$783 million for FY2023 and FY2024, respectively; and (iii) the steady recovery of the economy of Hong Kong will continue to bring the business opportunities to the Group. Accordingly, the Group has maintained a similar level of the GTM Proposed Annual Caps for the two financial years ending 31 March 2028 subsequent to FY2026.

In assessing the fairness and reasonableness of the GTM Proposed Annual Caps, we have (i) reviewed schedules prepared by the Management in relation to the Group's remaining budgeted and forecasted transaction amount with GT Material for the provision of construction materials and services including timber materials, transportation and storage charges and rental of equipment and vehicles for the 9 existing projects and potential new projects; and (ii) discussed with the Management the expected progress of the potential new projects and was given to understand that, as at the Latest Practicable Date, the Group has secured one new project and has been in advanced round of screening for no less than three tenders submitted.

Based on information obtained and reviewed, we noted that the annual cap for FY2026 of HK\$20 million is estimated with reference to (i) the remaining contract amounts of the projects on hand, which are expected to consume timber materials of approximately HK\$6.2 million; (ii) new projects (including new variation orders) which are expected to require timber materials from GT Material of approximately HK\$1.8 million based on the past experience and their available capacity; and (iii) the transportation and storage charges and rental of equipment and vehicles for existing and potential new projects of approximately HK\$12 million.



For FY2026, we noted that the expected timber materials consumption of HK\$6.2 million is driven by nine ongoing projects (including one newly commenced project awarded in December 2024, i.e. the Northern District project). According to the Company's forecast schedule, the Company anticipates that the Northern District project and its corresponding construction projects will account for approximately one-third of the total timber material consumption. Except for this relatively large-scale project with timber materials consumption of approximately HK\$2.8 million, the average of the timber consumption per project amounted to approximately HK\$0.4 million.

As advised by the Management, the Company secured eight and three projects in FY2024 and FY2025, respectively and conservatively estimated that there will be four to six projects awarded in FY2026. In this regard, we also reviewed the Company's historical timber material consumption amount per existing project and noted that, except for one relatively large-scale project that required a significantly higher amount of timber material, the average of the actual timber consumption per normal size project in FY2025 amounted to approximately HK\$0.4 million which is in line with the average of the timber consumption per project for FY2026 as mentioned earlier. Based on the anticipated four to six projects, we estimate timber material requirements per year will range between HK\$1.6 million and HK\$2.4 million.

We further reviewed the Company's forecast schedule and noted that the Management's projected timber materials to be purchased from GT Material for FY2026 is approximately HK\$1.8 million, which falls within the aforesaid range of timber material consumption. Therefore, we consider the Company's estimate for the purchase of construction materials to be prudent and justifiable.

We also noted the historical transaction amounts in respect of transportation and storage charges and rental of equipment and vehicles for FY2024 and FY2025 were approximately HK\$10 to HK\$11 million. The estimate of HK\$12 million for transportation and storage charges and rental of equipment and vehicles aligns closely with the historical spending patterns observed over the past two years. This estimate incorporates an approximately 10% buffer to accommodate for variation orders of projects that may arise from time to time throughout the projects. Given that (i) the historical transaction amounts in respect of transportation and storage charges and rental of equipment and vehicles ranged between HK\$10 to HK\$11 million for FY2024 and FY2025, representing approximately 10% fluctuation and (ii) the buffer provides the Company with flexibility to cater for any unforeseen circumstances in respect of transportation and storage charges and rental of equipment and vehicles, we are of the view that including a buffer of approximately 10% of the transaction amount in the calculations is fair and reasonable. After considering the historical transaction amounts in respect of transportation charges and rental of equipment and vehicles and the said buffer for potential project variations, we consider the Company's estimate of expected transportation and storage charges and rental of equipment and vehicles of HK\$12 million is made with reasonable basis.



In light of the foregoing, we are of the view that the GTM Proposed Annual Cap of HK\$20 million for FY2026 is formulated with sufficient reasonable basis.

For the GTM Proposed Annual Caps of HK\$20 million for FY2027 and FY2028 respectively, we noted from the contract forecast that certain key projects such as the North District project and the corresponding construction projects will continue to contribute their value of work done in FY2027. In addition, the Company anticipates maintaining a similar level of contract volume (i.e. four to six projects), and thus the required timber material consumption is expected to remain at the same level in FY2027 and FY2028. Hence, we concur with the Group that the expected future project size and quantity will remain relatively stable for the next three years. Accordingly, it is reasonable for the Group to expect that the GTM Proposed Annual Cap will be maintained at the same level of FY2026 for FY2027 and FY2028.

Based on the above, we concur with the Directors' view that the GTM Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

#### ***2.4 Reasons for and benefits of entering into the GTM Framework Agreement***

The Group is principally engaged in formwork erection as well as related ancillary services. As stated in the Letter from the Board, timber formwork is one type of formwork which the Group commonly provide erection services. The major materials required for erection of timber formwork include timber panel, wooden beams and walings as well as tie bolts. From time to time, the Group orders the construction materials required and requests the material suppliers to deliver to the designated construction sites of the Group.

According to the Letter from the Board, the Group has good and long-standing relationship with GT Material and the Group has purchased construction materials from GT Material since 2003. Construction materials purchased from GT Material are used to build timber formwork and GT Material has in the past provided tailor-made services according to the Group's product specifications. The Directors confirm that the quality and delivery of construction materials from GT Material has satisfied the Group's requirements. The GTM Framework Agreement offers no exclusive rights to GT Material and the Group has the liberty to source any materials or services that may be supplied by any other suppliers. The Group maintains a list of qualified suppliers which the Group acquires construction materials or services from. As the Group also selects other independent suppliers from time to time, the Directors are of the view that it will be in the interest of the Group to continue such transactions with GT Material to diversify its supplier base so as to obtain stable supply of materials or services.



Taking into consideration the above, the Directors (excluding all the independent non-executive Directors whose views shall be formed after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the GTM Framework Agreement and the GTM Proposed Annual Caps are entered into on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we concur with the Directors' view that the transactions contemplated under the GTM Framework Agreement are in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

### **3. GTS FRAMEWORK AGREEMENT**

#### ***3.1 Background information of GT Scaffolding and business relationship with the Group***

GT Scaffolding is incorporated in Hong Kong on 20 December 2013. GT Scaffolding is principally engaged in letting and assembling of scaffoldings. The Group has been renting metal scaffolds and related equipment from GT Scaffolding since 2014.

#### ***3.2 Principal terms of the GTS Framework Agreement***

According to the Letter from the Board, the principal terms of the GTS Framework Agreement are set out as follows:

|          |   |
|----------|---|
| Date:    | 16 April 2025   |
| Parties: | (i) The Company<br>(ii) GT Scaffolding  |
| Subject: | Pursuant to the GTS Framework Agreement, GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services to the Group. |
| Term:    | The GTS Framework Agreement has a fixed term from 16 April 2025 to 31 March 2028 (both days inclusive).   |



*Pricing policy and payment term*

For rental of metal scaffolds, supporting equipment, technical support and transport services, the price payable under the GTS Framework Agreement by the Group to GT Scaffolding shall be determined based on the prevailing market rate for the rental of metal scaffolds and relevant services as charged by independent third party vendors or by GT Scaffolding to other independent third parties. Taking into account the amount of metal scaffolds required, the period of the project that is expected to last and the complexity of the project involved, GT Scaffolding may offer a bulk purchase discount of the prevailing market rate for the rental of metal scaffolds and relevant services. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, the Group will seek quotations from at least three similar scaffolding providers, who are third parties independent of the Company and its connected persons for each project.

Due to the limited number of approximately eight suppliers in the market who could meet the demands of the Group and provide a quotation to the Group, the Group considers that three quotations from independent third party suppliers to be sufficient to indicate what the current market rate is and excessive additional quotes from smaller and low-quality suppliers might not be meaningful for the Group's purpose in determining the market rate.

In obtaining quotations for a construction project of the Group, the Group should estimate the required volume of metal scaffolds such that when seeking quotations from independent vendors, the quoted price for scaffold rental (after deducting any bulk purchase discount) may be obtained for comparison with the quotations obtained from GT Scaffolding. The Group will only accept GT Scaffolding's quotations if they are favourable to the Group.

The payment for the transactions contemplated under the GTS Framework Agreement is generally settled within 30 days upon the presentation of invoice.



Based on information provided by the Company, the Group was engaged in 19 subcontracting projects during the three years ended 31 March 2025. We have reviewed all the relevant quotations for those 19 subcontracting projects. We noted that the Group obtained the required number of quotations from scaffolding service providers for 14 projects which require rental of scaffolds and related services, unless supplier(s) are unable to provide the required types and specifications of metal scaffolds or the required quantities. For the five remaining projects, given that the projects did not require scaffolds, the Group therefore did not obtain any quotation. The quotations provided by the suppliers for rental of scaffolds and related services are generally valid for all purchase orders in a particular subcontracting project. After obtaining and reviewing the quotations from suppliers (including GT Scaffolding and the other three independent third party suppliers), the Company will select the best quote and place purchase orders at such offer price with the selected supplier for rental of scaffolds and related service in a particular project. We were further given to understand that quotations (in particular quotations from GT Scaffolding) may include bulk purchase discounts to the Group from time to time.

In order to understand the quotation evaluation and purchase processes, we have obtained and reviewed a list of all quotations (for rental of metal scaffolds, supporting equipment, technical support and transport services) obtained by the Group during the Review Period. We have also obtained a list of all the transactions with GT Scaffolding during the Review Period. We noted that the total transaction amounts matched with the historical transaction amounts in respect of the transactions under the 2022 GTS Framework Agreement for FY2023, FY2024 and the eleven months ended 28 February 2025.

From the above list of quotations, we requested and reviewed all quotations sought for those 14 projects as mentioned above (regardless of whom was the selected supplier eventually) during Review Period. Based on our review, we noted that the unit purchase prices of rental service rendered from GT Scaffolding to the Group in the 14 sets of quotations for rental service at relevant times are no less favourable to those quoted by other independent third party suppliers. Further, when reviewing the aforesaid quotations, we also noted that the Group's independent third party suppliers generally grant a credit period of 30 days for similar products and services, which is the same as that offered by GT Scaffolding. As such, we concur with the Directors' view that the payment terms under the GTS Framework Agreement are fair and reasonable and on normal commercial terms or better.



Given that North District project is a newly awarded project in December 2024, we did not obtain full set of transaction documents. Therefore, we selected 13 sets of transaction documents out of the 14 subcontracting projects (each set of transaction documents including invoices and delivery notes) for the Group's purchases from GT Scaffolding to compare against the aforesaid quotations obtained from the independent third party suppliers. As purchase will be made with selected supplier for a particular subcontracting project in most of the cases, we consider one transaction document sample for each subcontracting project is sufficient for us in understanding the procurement process. Based on our review, we noted that the unit purchase prices of rental service rendered from GT Scaffolding to the Group at similar timing are no less favourable to those rendered from the Group's other independent third party suppliers and the unit purchase prices as stated in the invoice are also consistent with that of the quotations. Further, we noted that GT Scaffolding was selected only if the unit purchase prices offered by GT Scaffolding are lower than that offered by the other three independent third party suppliers. Hence, we are of the view that the quotation evaluation and purchase process for the selected samples above are conducted in accordance with the Group's pricing policy as stated in the Letter from the Board of this Circular.

Given that (i) the objective of our review is to understand the quotation evaluation process and the whole purchase process; (ii) all quotations sought for all projects which require rental of scaffolds and related services have been requested and reviewed; and (iii) purchase prices of the selected transaction documents as mentioned above are comparable to quotations offered by other independent third party suppliers at relevant times, we are of the view that the sample documents reviewed are fair and representative that suffice for us to gain the relevant understanding of the quotation evaluation and purchase processes.

In respect of the purchase made under the 2022 GTS Framework Agreement during the FY2023 and FY2024, we noted that the independent non-executive Directors reviewed and confirmed that the purchase was entered into:

- a. in the ordinary and usual course of business of the Group;
- b. on normal commercial terms or better; and
- c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.



Further, pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the 2022 GTS Framework Agreement during FY2023 and FY2024 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions.

Having considered the above, we are of the view that the terms and conditions of the GTS Framework Agreement are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned.

### 3.3 The historical annual caps and the GTS Proposed Annual Caps

Set out below are the historical annual caps and transaction amounts in respect of the transactions under the 2022 GTS Framework Agreement for FY2023, FY2024 and the eleven months ended 28 February 2025; and the GTS Proposed Annual Caps for FY2026, FY2027 and FY2028, respectively.

|                                | FY2023<br>(HK\$'000) | FY2024<br>(HK\$'000) | FY2025<br>(HK\$'000)                              |
|--------------------------------|----------------------|----------------------|---|
| Historical annual caps         | 37,000               | 40,000               | 40,000  |
|                                |                      |                      | The eleven<br>months ended<br>28 February<br>2025 |
|                                | FY2023<br>(HK\$'000) | FY2024<br>(HK\$'000) | (HK\$'000)<br>(unaudited)                         |
| Historical transaction amounts | 12,002               | 21,800               | 27,818  |
| Utilisation rate               | 32.44%               | 54.50%               | 69.55%  |
|                                | FY2026<br>(HK\$'000) | FY2027<br>(HK\$'000) | FY2028<br>(HK\$'000)                              |
| GTS Proposed Annual Caps       | 30,000               | 30,000               | 30,000  |



As depicted from the table above, we note that the utilisation rates of the historical annual caps in relation to metal scaffold rental services provided by GT Scaffolding to the Group under the 2022 GTS Framework Agreement were approximately 32.44%, 54.50% and 69.55% for FY2023, FY2024 and the eleven months ended 28 February 2025, respectively. As stated in the Letter from the Board, as some subcontractors of the Group provided metal scaffolds to undertake the construction works, the amounts of metal scaffold and relevant services requested from GT Scaffolding were relatively low for the FY2023, FY2024 and FY2025. The Group did not fully utilise the existing annual caps under the 2022 GTS Framework Agreement because in some construction projects which GT Scaffolding's products were initially factored in, the Group had obtained the scaffolding services from other independent subcontractors instead of GT Scaffolding for economical reasons.

We further note from the above table that the GTS Proposed Annual Caps for FY2026 will decrease by approximately 25% as compared to that for FY2025, and the GTS Proposed Annual Caps for FY2027 and FY2028 will remain the same.

As disclosed in the Letter from the Board, the GTS Proposed Annual Caps are determined with reference to (i) demand for metal scaffolds from existing projects; (ii) demand for metal scaffolds from forecast of new projects expected to be undertaken by the Group and expected future demand of the construction industry; (iii) historical transaction amount between the Group and GT Scaffolding; and (iv) expected fluctuation of prices as well as inflation.

In particular, the Group has estimated the annual cap for FY2026 with reference to (i) the existing projects on hand, which required the rental of metal scaffolds and relevant services of approximately HK\$23.5 million; and (ii) the forecast of new projects to be awarded (including new variation orders) in future that will generate revenue of approximately HK\$181.7 million, which are expected to require the rental of metal scaffolds and relevant services from GT Scaffolding of approximately HK\$6.5 million based on past experience and the Group's capacity.

The Directors considered it probable that the Group could achieve the forecasted revenue from new projects and variation orders given that (i) the Group has successfully secured new projects with contract value of approximately HK\$575.9 million during FY2025; (ii) the Group's customers have requested the Group to undertake variation works from time to time and variation orders of approximately HK\$65.2 million were undertaken during FY2025; and (iii) the Group has submitted certain tenders and quotations and some of which have been in advanced round of screening. The Group expects that the expected future project size and quantity will remain relatively stable for the next three years in view of that (i) the Group has maintained a stable number of projects in its project backlog at 10, 12 and 9 as at 31 March 2023, 2024 and 2025, respectively; (ii) the Group has recorded a stable revenue of approximately HK\$702 million and HK\$783 million for FY2023 and FY2024, respectively; and (iii) the steady recovery of the economy of Hong Kong will continue to bring the business opportunities to the Group. Accordingly, the Group has maintained a similar level of the proposed annual caps for the GTS Framework Agreement for the subsequent two financial years ending 31 March 2028 subsequent to FY2026.



In assessing the fairness and reasonableness of the GTS Proposed Annual Caps, we have (i) reviewed schedules prepared by the Management in relation to the Group's remaining budgeted and forecasted transaction amount with GT Scaffolding for rental of metal scaffolds, supporting equipment, technical support and transport services for the abovementioned existing projects and potential new projects; and (ii) discussed with the Management the expected progress of the potential projects and was given to understand that, as at the Latest Practicable Date, the Group has secured one new project and has been in advanced round of screening for no less than three tenders submitted.

Based on information obtained and reviewed as above, we noted the following:

In determining the annual caps for FY2026, the Group has referenced (i) the remaining contract amounts of existing projects; and (ii) the new projects (including new variation orders) which are expected to require metal scaffolds from GT Scaffolding of approximately HK\$30.0 million based on past experience and their available capacity.

For FY2026, we noted that the expected usage of metal scaffolds of HK\$23.5 million is driven by nine ongoing projects (including one newly commenced project awarded in December 2024, i.e. the Northern District project). According to the Company's forecast schedule, the Company anticipates that the Northern District project and its corresponding construction projects will account for approximately 40% of the rental of metal scaffolds and relevant services need.

As advised by the Management, the Company secured eight and three projects in FY2024 and FY2025, respectively and conservatively estimated that there will be four to six projects awarded in FY2026. We also reviewed the Company's historical scaffolding & equipment rental purchase amount per existing project and found that, except for one relatively large-scale project that required a significantly higher amount of scaffolding & equipment rental purchase, the average of the actual scaffolding & equipment rental purchase for each existing project (which needs rental of scaffolding) in FY2025 amounted to approximately HK\$1.9 million. Based on the anticipated four to six projects, we estimate that scaffolding & equipment rental requirement per year will range between HK\$ 7.6 million and HK\$11.4 million.

We further reviewed the Company's forecast schedule, we noted that the Management's projected scaffolding & equipment rental requirement for FY2026 is approximately HK\$6.5 million (including new variation orders), which is close to the lower bound of the aforesaid range of scaffolding & equipment rental requirement. Therefore, we consider the Company's estimate for expected metal scaffold usage to be justifiable.



In addition, we have also reviewed the metal scaffold rental forecast and discussed the purchase allocation basis between GT Scaffolding and other independent third party suppliers. As advised by the Management, the expected metal scaffolding usage was determined based on the nature of construction/subcontracting and the availability and supply capacity of the suppliers. The expected purchase of HK\$30.0 million from GT Scaffolding is determined with reference to, among other things, the availability of the required types and specifications of metal scaffolds among different suppliers and the substantial discount offered by GT Scaffolding in general. Given that only a limited number of suppliers are capable of providing the required types of metal scaffolds, the Group allocate a higher portion of rental of metal scaffolds from GT Scaffolding to meet its project requirements.

In light of the foregoing, we are of the view that the GTS Proposed Annual Caps of HK\$30.0 million for FY2026 is formulated with sufficient reasonable basis.

For the GTS Proposed Annual Caps of HK\$30.0 million for FY2027 and FY2028 respectively, we noted from the contract forecast that certain key projects such as the North District and the corresponding construction projects will continue to contribute their value of work done in FY2027. In addition, the Company anticipates maintaining a similar level of contract volume (i.e. four to six projects), and thus the required metal scaffolding is expected to remain at the same level in FY2027 and FY2028. Hence, we concur with the Group that the expected future project size and quantity will remain relatively stable for the next three years. Accordingly, it is reasonable for the Group to expect that the GTS Proposed Annual Caps will be maintained at the same level of FY2026 for FY2027 and FY2028.

Although the existing annual caps under the 2022 GTS Framework Agreement have not been fully utilised, the historical transaction amounts for FY2023, FY2024 and the eleven months ended 28 February 2025 have demonstrated a consistent increasing trend during past few years. Notably, the transaction amount for the eleven months ended 28 February 2025 reached approximately HK\$28 million. As such, we are of the view that the GTS Proposed Annual Caps of HK\$30.0 million for each of FY2026, FY2027 and FY2028 is justifiable.

Given the factors as set out above, we are of the view that the GTS Proposed Annual Caps in respect of the transactions contemplated under the GTS Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.



### **3.4 Reasons for and benefits of entering into the GTS Framework Agreement**

As stated in the Letter from the Board, metal scaffolds are commonly used in the Group's falsework design for the erection of formwork. Aside for erection of formwork, metal scaffolding is usually assembled for other construction activities at height either by the Group's own labours or subcontractors. By renting the metal scaffolds and related equipment from GT Scaffolding, the Group does not need to maintain a large volume of inventory, which is costly to acquire, repair and store.

The Group has been trading with GT Scaffolding since 2014. Having considered (i) GT Scaffolding's expertise in providing and assembling metal scaffolds; (ii) its knowledge of the properties, loading capacities and correct assembly methods for the metal scaffolds it provides; (iii) its job references from assembling large scale and complex metal scaffolding falsework; and (iv) the more favourable prices generally offered by GT Scaffolding as compared with other independent third parties due to good and long standing relationship with GT Scaffolding, the Directors are of the view that it is in the best interest of the Group to include GT Scaffolding in the qualified list of vendors and renew the transactions for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services from GT Scaffolding.

Taking into consideration of the above, the Directors (excluding all the independent non-executive Directors whose views shall be formed after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the GTS Framework Agreement and its proposed annual caps are entered into on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the GTS Framework Agreement could offer flexibility for the Group's operations and aid the Group's project management. Thus, we concur with the Directors' view that the transactions contemplated under the GTS Framework Agreement are in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

### **4. Internal control measures**

As disclosed in the Letter from the Board, the Company has implemented internal control procedures and policies to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with pricing policies and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



The Group has closely observed the market conditions and monitored the prevailing market prices or market rates, including the pricings of transactions between the Group and independent third parties in respect of similar services or materials. Before entering into any connected transactions, the procurement and operation department of the Group will seek quotations from at least three independent third party suppliers for similar services or materials. Accordingly, the Company is able to ensure that the pricing terms under the GTM Framework Agreement and the GTS Framework Agreement are on normal commercial terms and no less favourable than those available from independent third parties.

The Company will closely monitor the connected transactions to ensure that they are conducted in accordance with the terms of the relevant connected transaction agreements. The finance department of Group will also monitor the amount payable to GT Material under the GTM Framework Agreement and GT Scaffolding under the GTS Framework Agreement from time to time so as to ensure that the amounts payable to GT Material and GT Scaffolding will not exceed the proposed annual caps for the respective financial years. The Company will set an alert amount when the total annual caps are about to be reached so that the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules in the event that the total amounts payable to GT Material and GT Scaffolding are likely to be exceeded.

In addition, the independent non-executive Directors will conduct an annual review of the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement. The Company's external auditors will also review the transactions as contemplated under the GTM Framework Agreement and the GTS Framework Agreement annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

The Directors consider that the Company has established sufficient internal control measures to ensure the transactions under the GTM Framework Agreement and the GTS Framework Agreement are conducted in the usual and ordinary course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.



With reference to the 2023/24 Annual Report, we note that the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on continuing connected transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions, including transactions contemplated under the 2022 GTM Framework Agreement and the 2022 GTS Framework Agreement, disclosed by the Group in the 2023/24 Annual Report in accordance with Rule 14A.56 of the Listing Rules. It is further noted from the 2023/24 Annual Report that the Directors, including the independent non-executive Directors, considered that all of the Group's continuing connected transactions, including transactions contemplated under the 2022 GTM Framework Agreement and the 2022 GTS Framework Agreement, for the year ended 31 March 2024 and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and Shareholder as a whole.

Given the above, we consider there exists appropriate procedures and arrangements to ensure that the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and on normal commercial terms or better and in the ordinary and usual course of business of the Group.

#### RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinions that (i) the terms of the GTM Framework Agreement and the GTS Framework Agreement, the transactions contemplated thereunder and their respective annual caps are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
Asian Capital Limited



Louis HAU  
Executive Director

*Mr. Louis HAU is a licensed person registered with Securities and Futures Commission of Hong Kong and a responsible officer of Asian Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 13 years of experience in corporate finance in Hong Kong.*