BALLAS
CAPITAL

30 July 2026

To the Independent Board Committee and
the Independent Shareholders of
Build King Holdings Limited

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement (the "**Engagement**") as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract (together, the "**Sub-Contracts**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in this circular (the "**Circular**") of the Company to the Shareholders dated 30 July 2026, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, Faith Oriental, an indirect wholly-owned subsidiary of Wai Kee, was awarded the 2026 Main Contract for the development of an underground quarry-cum-cavern encompassing quarrying activities and related ancillary operations at Lam Tei. Titan, an indirect wholly-owned subsidiary of the Company, proposes to enter into the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract with Faith Oriental, pursuant to which Titan will carry out the Underground Quarry Works and the Rock Transportation Works as sub-contractor to Faith Oriental.

As at the Latest Practicable Date, Wai Kee (through its subsidiaries) is interested in 724,435,033 Shares, representing approximately 58.33% of the Company's issued share capital. Accordingly, Wai Kee is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As Faith Oriental is an indirect wholly-owned subsidiary of Wai Kee, the transactions contemplated under the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zen, the Chairman and an executive Director, is also the chairman, chief executive officer and executive director of Wai Kee. Mr. Zen held (i) 122,825,228 Shares, representing approximately 9.89% of the Company's issued share capital; and (ii) 270,880,078 shares in Wai Kee, representing approximately 34.15% of the issued share capital of Wai Kee, as at the date of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract and as at the Latest Practicable Date. Accordingly, Mr. Zen has abstained from voting on the Board resolutions approving the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract, as required by the Bye-laws of the Company, on the basis that Mr. Zen, as a Director, is deemed to have a material interest in those transactions under the Bye-laws of the Company. In addition, Mr. Zen has confirmed to the Company that he and his associates will voluntarily abstain from voting at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor, Mr. Lo Yiu Ching, Dantes and Ms. Ng Cheuk Hei, Shirley, has been formed to advise the Independent Shareholders in respect of the Underground Quarry Sub-Contract, the Rock Transportation Sub-Contract and the transactions contemplated thereunder.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, Wai Kee, Faith Oriental, Titan or their respective core connected persons or associates.

In the two years immediately preceding our Engagement, save for the appointment as the independent financial adviser to (i) the Company in respect of the continuing connected transactions between the Company and Wai Kee as disclosed in its circular dated 2 December 2025; and (ii) Wai Kee in respect of (a) the continuing connected transactions as disclosed in its circular dated 10 July 2025; and (b) the connected transactions in relation to the formation of joint venture and related subcontracting arrangement as disclosed in its circular dated 8 October 2024 (the "**Previous Engagements**"), we did not have any other relationship with or interests in the Group, Wai Kee, Faith Oriental, Titan or their respective core connected persons or associates. As the Previous Engagements were for the role of an independent financial adviser, they would not affect the independence of Ballas Capital for acting as the independent financial adviser to the Company in respect of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract.

Accordingly, we consider that we are eligible to give independent advice on the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have reviewed information on the Company, including but not limited to, the Underground Quarry Sub-Contract, the Rock Transportation Sub-Contract, tender summary sheets, bills of quantities, rate build-up schedules, internal approval documents, the 2026 Main Contract and other information contained in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract, we have considered the following principal factors and reasons:

A. Background of and reasons for entering into the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract

Information on the Group

The Company is an investment holding company and its group companies are principally engaged in the undertaking of construction projects in Hong Kong and the PRC and are also engaged in environmental and waste management and marine engineering. Titan is an indirect wholly-owned subsidiary of the Company and is principally engaged in piling, foundation and earth works.

Information on Wai Kee and Faith Oriental

Wai Kee is an investment holding company and the principal activities of its group companies include construction, sewage treatment, steam fuel, construction materials, quarrying, property development and investment, toll road, investment and asset management.

Faith Oriental is an indirect wholly-owned subsidiary of Wai Kee and is the main contractor under the 2026 Main Contract. It is principally engaged in investment holding, quarrying, manufacturing, trading and delivery of construction materials.

Background of the Lam Tei Quarry project

As stated in the Letter from the Board, on 31 March 2015, Faith Oriental was awarded the 2015 Main Contract under which it is required to carry out design, construction, completion and maintenance works in relation to the rehabilitation of the Lam Tei Quarry. On 21 July 2015, Kaden-Titan JV, a joint venture wholly

owned by the Company between two wholly-owned subsidiaries of the Company, entered into the 2015 Sub-Contract with Faith Oriental to carry out certain works as sub-contractor for the Lam Tei Quarry. Due to the extension of the 2015 Main Contract, the duration of the 2015 Sub-Contract was extended to December 2026 or such later date as may be agreed between Faith Oriental and Kaden-Titan JV.

In May 2025, Faith Oriental was awarded the 2026 Main Contract for the development of an underground quarry-cum-cavern encompassing quarrying activities and related ancillary operations at Lam Tei for a minimum period of 13 years and 6 months following the cessation of the 2015 Main Contract. Under the 2026 Main Contract, Faith Oriental is required to carry out the design, construction and maintenance of underground tunnels, and the drainage and landscaping works at Lam Tei over a period of 5,022 calendar days, or approximately 13 years and 9 months, calculated from and including the date of possession of the site.

Reasons for entering into the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract

As stated in the Letter from the Board, given that Titan has a long-established cooperation relationship with Faith Oriental and an extensive track record of undertaking rock excavation and earth works at the Lam Tei Quarry under the 2015 Sub-Contract, Faith Oriental, as main contractor, proposes to award, and Titan proposes to carry out, the Underground Quarry Works and the Rock Transportation Works under the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract, respectively.

We understand from the management of the Company that the Underground Quarry Works and the Rock Transportation Works form part of the construction and quarry-related works in which the Group has relevant experience. In particular, the Group, through Kaden-Titan JV and/or Titan, has accumulated relevant site knowledge and operational experience through the 2015 Sub-Contract at the Lam Tei Quarry. The management of the Company considers that such previous experience is beneficial to the Group in estimating costs, managing project risks and controlling the execution of the works under the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract.

Having considered (i) the principal business activities of the Group; (ii) the nature of the Underground Quarry Works and the Rock Transportation Works; (iii) the Group's previous experience at the Lam Tei Quarry under the 2015 Sub-Contract; (iv) the long-established cooperation relationship between the Group and Faith Oriental; and (v) our analysis and view on the major terms and pricing basis of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract as explained further below, we concur with the view of the management of the Company that the entering into of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

B. Major terms of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract

The Underground Quarry Sub-Contract

The principal terms of the Underground Quarry Sub-Contract are set out below:

Date : 21 July 2026

Parties : (1) Titan as sub-contractor; and

(2) Faith Oriental as main contractor

Underground Quarry Works : Titan is required to undertake the following sub-contract works (subject to any variations authorised by Faith Oriental) in accordance with the requirements of the 2026 Main Contract:

(1) design, construct and maintain Lam Tei underground tunnels, including tunnel excavation and one-time transportation of excavated rock material to Faith Oriental's processing plant or at other storage areas within the site area, and complete all geotechnical and structural works;

(2) design, construct and maintain temporary and permanent drainage and landscaping works;

(3) provide, maintain, service and remove upon completion of the Underground Quarry Works, temporary site accommodation, weight bridges and wheel washing bays, for Faith Oriental and the government appointed supervising officer;

(4) provide site vehicles and drivers to the government appointed supervising officer; and

(5) provide security guards, CCTV facilities and attendance recording systems.

The Underground Quarry Works are to be executed and completed in compliance with the works programme specified by Faith Oriental and in any event within the Underground Quarry Sub-Contract milestone dates as follows (on a cumulative basis): 3% within 365 days (or approximately 1 year), 16% within 730 days (or approximately 2 years), 29% within 1,095 days (or approximately 3 years), 42% within 1,460 days (or approximately 4 years), 56% within 1,825 days (or approximately 5 years), 70% within 2,190 days (or approximately 6 years), 80% within 2,555 days (or approximately 7 years), 90% within 2,920 days (or approximately 8 years), 95% within 3,285 days (or approximately 9 years) and 100% within 3,650 days (or approximately 10 years).

Underground Quarry Sub-Contract Price : The Underground Quarry Sub-Contract price is on a fixed sum basis at HK$888,851,235, subject to adjustments in respect of any authorised variations to specific Underground Quarry Works that will be separately agreed between the parties if and when they arise. Such price has been determined based on the Group's pricing policy for construction projects or other projects involving the delivery of services similar to those set out in the Underground Quarry Sub-Contract taking into account factors such as:

(1) the Group's estimation of the volume of rock material that would be required to be excavated based on information provided by the employer in respect of the 2026 Main Contract and the one-time transportation of such excavated rock material to another location at the site designated by Faith Oriental;

(2) the estimated direct and indirect costs of labour and professional staff, temporary materials, sub-contractors, plant and equipment required to undertake the Underground Quarry Works (taking into account the difficulty, expertise and risks that those works may entail) and other costs such as insurance costs, surety bond costs, utilities, costs for maintenance of site safety and traffic arrangement;

(3) the estimated shorter period (of 5 years, being the estimated practical amount of time required to complete the works based on the Group's experience and expertise in undertaking similar excavation works, including under the 2015 Main Contract, compared to the period of 10 years concession period permitted under the 2026 Main Contract) within which the Group may choose to complete the excavation works for better costs and associated risks control, together with an allowance for imputed finance costs at 5% per annum to take into account the pre-agreed longer payment schedule that aligns with the 2026 Main Contract schedule notwithstanding acceleration of such works at the Group's choice without requiring consent from Faith Oriental. The Company notes that the imputed finance costs adopted is by reference to the Group's existing costs of funds. Non-excavation works are to be undertaken in accordance with the work schedule under the 2026 Main Contract;

(4) the estimated costs of provision, servicing and removal of the temporary site accommodation for Faith Oriental and the government appointed supervising officer, based on specifications under the 2026 Main Contract, including the weight bridge and wheel washing bay;

(5) the estimated costs of servicing and maintaining site vehicles and driver for the government appointed site officer; and

(6) historical costs of providing similar services during the term of the 2015 Sub-Contract, and the overall profit margin that could be achieved being no less favourable than other contracts available from independent third party employers/main contractors due to the efficiencies of the Group's team having developed a close working relationship with Faith Oriental during the 2015 Sub-Contract that allows for more effective cost control compared to new projects.

The Underground Quarry Sub-Contract provides for monthly payments (other than the retention monies of approxmiately 1% of the Underground Quarry Sub-Contract price, which is in line with or more favourable than construction industry practices) based on the works that are to be completed as detailed in the Underground Quarry Sub-Contract for each relevant month, in order to meet the completion milestones specified in that contract. Faith Oriental has the right to adjust payment amounts for any month if the Group did not complete all the relevant works then due. Should the Group accelerate the excavation works under the Underground Quarry Sub-Contract (which generally would lead to better costs and associated risks control given the Group cannot predict with any certainty inflationary and sourcing trends over the term of the Underground Quarry Sub-Contract), payments will nevertheless follow the contractual payment schedule described above.

The retention monies will be payable by Faith Oriental to Titan as follows: (i) first half within 30 days of completion of the works under the 2026 Main Contract or the Underground Quarry Works, whichever comes first; and (ii) second half within 30 days of Faith Oriental's receipt of a maintenance certificate from the employer of the 2026 Main Contract or Faith Oriental issuing a maintenace certificate to Titan, whichever comes first.

Payments under the Underground Quarry Sub-Contract will be recognised as revenue in the Group's financial statements by using the percentage of completion method, measured by reference to the value of work performed during the relevant period in accordance with the Hong Kong Financial Reporting Standards.

Conditions Precedent : The obligations of the parties under the Underground Quarry Sub-Contract are conditional upon the approval by the Independent Shareholders of the transactions under the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract pursuant to the Listing Rules having been obtained.

Term	:	The term of the Underground Quarry Sub-Contract is 5,022 calendar days (or approximately 13 years and 9 months) calculated from and including the date of possession of the site, which is to be notified in writing by Faith Oriental and is currently expected to be in or around the last quarter of 2026. The Underground Quarry Sub-Contract can be terminated earlier by Faith Oriental due to specified events including the failure to perform with due diligence the Underground Quarry Works or breach of Underground Quarry Works or occurrence of insolvency events in relation to Titan or the termination of the 2026 Main Contract.

The Rock Transportation Sub-Contract

The principal terms of the Rock Transportation Sub-Contract are set out below:

Date	:	21 July 2026
Parties	:	(1) Titan as sub-contractor; and (2) Faith Oriental as main contractor
Rock Transportation Works	:	Titan is required to transport such excavated rock materials and any import rock from Wai Kee Group within the site area (after the one-time transportation of the excavated rock materials from the underground tunnels to Faith Oriental's processing plant or other storage areas within the site area under the Underground Quarry Sub-Contract) as required from time to time by Faith Oriental, including for purposes of (i) uploading and feeding rocks into Faith Oreintal's rock crushing plant; (ii) delivering the crushed rock from the rock crushing plant to Faith Oriental's processing plant; and (iii) uploading crushed rock from the processing plant to designated dump trucks.
Rock Transportation Sub-Contract Price	:	The Rock Transportation Sub-Contract price is estimated to be approximately HK$217,117,560, subject to adjustments in respect of any authorised variations to specific Rock Transportation Works that will be separately agreed between the parties if and when they arise and on a re-measurement basis (i.e. charged based on the actual quantity of Rock Transportation Works undertaken on the unit rates set out in the Rock Transportation Sub-Contract). The Rock Transportation Sub-Contract price is determined based on the Group's pricing policy for construction projects or other projects involving the delivery of services similar to those set out in the Rock Transportation Sub-Contract taking into account factors such as:

(1) the Group's estimation of the volume of rock material over the term of the Rock Transportation Sub-Contract that may be imported by Wai Kee Group to the Lam Tei Quarry that requires to be transported within the site to produce ready-mixed concrete or other materials at processing plants at the Lam Tei Quarry that may be established by Faith Oriental as permitted under the 2026 Main Contract at their designed capacity, having regard to the designed maximum capacity of the crushing plant operating on site;

(2) the Group's and Faith Oriental's estimation of the volume material that need to be transported and/or uploaded to different locations within the site during the term of the Rock Transportation Sub-Contract, including the estimation of time for the processing plants under construction to be in trail or full operations;

(3) the estimated direct and indirect costs of labour, plant, machinery and equipment required to undertake the works and other costs such as insurance costs, electricity costs, fuel costs, servicing and plant maintenance costs; and

(4) historical costs of providing similar services during the term of the 2015 Sub-Contract, and the overall profit margin that could be achieved being no less favourable than other contracts available from independent third party employers/main contractors due to the efficiencies of the Group's team having developed close working relationship with Faith Oriental during the 2015 Sub-Contract that allows for more effective cost control compared to new projects.

The Rock Transportation Sub-Contract provides for monthly payments (other than the retention monies of approxmiately 1% of the Rock Transportation Sub-Contract price, which is in line with or more favourable than construction industry practices) based on the monthly statements of value of work properly done delivered by the Group based on the records kept on site of the volume of rock material extracted. Each truckload of excavated rock material transported for the purposes of being uploaded and fed into the Faith Oriental's rock crushing plant and/or being uploaded from the rock crushing plant to designated dump trucks, will be weighed in at a weigh bridge on site witnessed by representatives of both the Group and Wai Kee and recorded accordingly. Meanwhile, quantities of rock transported for the purpose of being uploaded into the rock crushing plant and delivered to Faith Oriental's processing plant, will be determined based on computer data recorded at the processing plant.

		The retention monies will be payable by Faith Oriental to Titan as follows: (i) first half within 30 days of completion of the works under the 2026 Main Contract or the Rock Transportation Works, whichever comes first; and (ii) second half within 30 days of Faith Oriental's receipt of a maintenance certificate from the employer of the 2026 Main Contract or Faith Oriental issuing a maintenace certificate to Titan, whichever comes first.
Conditions Precedent	:	The obligations of the parties under the Rock Transportation Sub-Contract are conditional upon the approval by the Independent Shareholders of the transactions under the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract pursuant to the Listing Rules having been obtained.
Term	:	The term of the Rock Transportation Sub-Contract is 5,022 calendar days (or approximately 13 years and 9 months) calculated from and including the date of possession of the site, which is to be notified in writing by Faith Oriental and is currently expected to be in or around the last quarter of 2026. The Rock Transportation Sub-Contract can be terminated earlier by Faith Oriental due to specified events including the failure to perform with due diligence the Rock Transportation Works or breach of Rock Transportation Works or occurrence of insolvency events in relation to Titan or the termination of the 2026 Main Contract.

C. Assessment of the Underground Quarry Sub-Contract

Review of selected major items from the bill of quantities ("BQ")

For the purpose of our review, we have selected major BQ items under the Underground Quarry Sub-Contract for our assessment. The selected items cover the major cost components of the Underground Quarry Works including tunnelling and blasting works, mucking out, shotcrete and rock bolt works, site management team, general labour, temporary power supply, temporary site accommodation and site facilities, and design of the construction works. The aggregate amount of the selected major BQ items was approximately HK$629.5 million, representing around 70% of the Underground Quarry Sub-Contract price of HK$888.9 million.

We understand from the management of the Company that certain tunnelling-related works are expected to be sub-contracted by the Group to an independent third party ("**Company A**"). For these items, we have obtained and reviewed the quotation from Company A. We noted that the costs adopted by the Group for these items in the BQ are around the same as the quotation from Company A. We have also reviewed the Company's explanation in relation to the different rates adopted for different types of tunnel excavation works, and noted that such difference was mainly attributable to the differences in tunnel size and work efficiency.

For other selected cost items which are expected to be undertaken or incurred by the Group directly, we have reviewed the relevant cost build-up and supporting documents provided by the Company. In particular, we have reviewed the staff cost schedule setting out the staff categories, headcount, monthly rates and relevant deployment periods, labour cost schedule setting out the labour categories, number of workers, monthly rates, relevant deployment periods, electricity consumption calculation, temporary accommodation and site facilities servicing cost breakdown, designer's fee quotation, and supporting invoices, quotations, benchmark information and management estimates for certain selected cost components, where applicable. Based on our review, we noted that the relevant cost components adopted by the Company were supported by the underlying calculation and supporting documents provided, where applicable.

Apart from our detailed testing focused on the selected major BQ items, we have also reviewed the tender summary sheet and overall cost composition of the Underground Quarry Sub-Contract, and separately assessed the overall profit margin, financial interest and fixed sum basis as set out below. Having considered that the selected major BQ items represent around 70% of the Underground Quarry Sub-Contract price and cover the principal cost components of the Underground Quarry Works, and that our review was supplemented by our assessment of the overall tender summary sheet, profit margin, financial interest and fixed sum basis, we consider our review of the selected major BQ items to be sufficient and appropriate for evaluating the overall cost components of the Underground Quarry Sub-Contract.

Having considered that (i) the selected major BQ items represent around 70% of the Underground Quarry Sub-Contract price and cover the principal cost components of the Underground Quarry Works; (ii) the pricing of such selected items was supported by independent third-party quotation and/or the Group's internal cost build-up with supporting documents; and (iii) our review was supplemented by our assessment of the tender summary sheet, overall cost composition, profit margin, financial interest and fixed sum basis as set out below, we consider the pricing basis of the selected major BQ items to be fair and reasonable, and our review of the selected major BQ items to be sufficient and appropriate for evaluating the overall cost components of the Underground Quarry Sub-Contract.

Review of overall profit margin and financial interest

We noted that the Underground Quarry Sub-Contract price includes an overall profit margin applied on the cost estimates as described above and financial interest. We understand from the management of the Company that the overall profit margin was determined taking into account the nature, scale and risk profile of the Underground Quarry Works.

For benchmarking purpose, we have obtained from the Company and reviewed the tender summary sheet of the only project undertaken by the Group within the past three years which, involved an independent third party employer ("**Project A**"). Although such project did not involve tunnelling works, we understand that it involved certain comparable work elements, including provision of site accommodation and site vehicles to the employer and contractor, drainage works, landscaping works and excavation works. Given that there was no other project undertaken by the Group within the past three years involving tunnelling works and otherwise comparable to the Underground Quarry Works, we agree with the management of the Company that Project A to be the closest available comparable project for our due diligence purpose.

Upon reviewing the tender summary sheet of Project A, we noted that the overall profit margin adopted under the Underground Quarry Sub-Contract was equivalent to the margin adopted in Project A. As such, we consider that the overall profit margin adopted under the Underground Quarry Sub-Contract is fair and reasonable and no less favourable to the Group than those available from independent third parties.

As stated in the Letter from the Board, the Group may choose to complete the excavation works within an estimated shorter period of 5 years as compared to the period of 10 years permitted under the 2026 Main Contract for better costs and associated risks control. Payments under the Underground Quarry Sub-Contract will nevertheless follow the pre-agreed longer payment schedule that aligns with the 2026 Main Contract schedule. Accordingly, the Underground Quarry Sub-Contract price includes an allowance for imputed finance costs at 5% per annum by referencing to the Group's existing costs of fund. In this respect, we noted that the interest rate adopted in determining the financial interest was not lower than the relevant borrowing cost range of the Group as at 31 December 2025 as disclosed in its annual report. On this basis, we consider the inclusion of financial interest to be commercially justifiable and not unfavourable to the Group.

We have also reviewed the payment terms of the Underground Quarry Sub-Contract, including the retention monies arrangement. We noted that the retention monies under the Underground Quarry Sub-Contract are approximately 1% of the Underground Quarry Sub-Contract price and that the retention percentage and release mechanism are comparable to those under Project A. As such, we consider such retention monies arrangement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Fixed sum basis

We note that the Underground Quarry Sub-Contract price is on a fixed sum basis, subject to adjustments in respect of any authorised variations to specific Underground Quarry Works that will be separately agreed between the parties if and when they arise.

We have discussed with the management of the Company and understand that the fixed sum price was determined with reference to the scope of works, estimated quantities, works programme, direct and indirect costs, finance cost and expected margin. We have also reviewed the Underground Quarry Sub-Contract and noted that the Underground Quarry Sub-Contract is not subject to re-measurement to adjust the Underground Quarry Sub-Contract price according to the actual quantity of works performed under the original agreed scope, and that the rates and prices set out in the Underground Quarry Sub-Contract are to be used for valuing authorised variations for like or analogous work, where applicable; if no applicable rates/prices exist, the value is to be determined on a fair and reasonable basis. We understand from the management of the Company that, for authorised variations where no applicable rates or prices are available under the Underground Quarry Sub-Contract, the Group will apply the same pricing policy as that adopted in determining the original fixed sum price of the Underground Quarry Sub-Contract, as set out in the section headed "Major terms of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract" above.

We consider the adjustment mechanism for authorised variations to be fair and reasonable because (i) it only applies to authorised variations to the agreed scope of the Underground Quarry Works, including where applicable variations arising from the 2026 Main Contract which relate to the Underground Quarry Works, rather than adjustments to the fixed sum price merely because the actual quantity of works under the original agreed scope differs from the estimated quantity; (ii) the mechanism may apply to additions, modifications or omissions to the Underground Quarry Works, and therefore may result in upward or downward adjustment to the Underground Quarry Sub-Contract price, depending on the nature of the authorised variation; and (iii) the valuation of such authorised variations will be determined with reference to the pre-agreed rates and prices under the Underground Quarry Sub-Contract for like or analogous works, or otherwise separately agreed between the parties if and when such authorised variations arise.

Having considered Titan's relevant experience at the Lam Tei Quarry, the cost build-up prepared by the Group, the supporting documents provided for selected major cost components, the inclusion of finance cost considerations, and the adjustment mechanism for authorised variations as described above, we consider the fixed sum basis and the adjustment mechanism of the Underground Quarry Sub-Contract to be commercially justifiable and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion on the Underground Quarry Sub-Contract

Having taken into account the above, including (i) the Group's experience at the Lam Tei Quarry; (ii) the tender summary sheet and cost breakdown of the Underground Quarry Sub-Contract; (iii) the independent sub-contractor quotation supporting certain major tunnelling-related items; (iv) the cost build-up and supporting documents for selected items to be undertaken or incurred by the Group directly; and (v) the comparable project information supporting the overall profit margin, we consider that the terms of the Underground Quarry Sub-Contract, including the fixed sum price of HK$888,851,235, are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

D. Assessment of the Rock Transportation Sub-Contract

Review of BQ quantities and rate build-up

The Rock Transportation Sub-Contract comprises three work items, namely (i) uploading and feeding rock into Faith Oriental's rock crushing plant; (ii) uploading crushed rock from the rock crushing plant and delivering it to Faith Oriental's processing plant; and (iii) uploading export crushed rock from the rock crushing plant to designated dump trucks. We have reviewed the quantity basis and rate build-up for all three work items, which together represent the entire estimated contract sum under the Rock Transportation Sub-Contract.

In respect of the estimated quantities, we have reviewed the calculation provided by the Company and noted that the estimated quantity was determined with reference to the historical average monthly quantity of rock processed and the expected duration of the 2026 Main Contract, and the estimated proportion of crushed rock to be delivered to the processing plant or exported. We have also reviewed the monthly quantity record provided by the Company for the period from August 2024 to March 2026, which supports the average monthly quantity adopted by the Company in determining the estimated quantities. We consider that the 20-month period provides a reasonable basis for estimating the average monthly quantity, as it covers a sufficiently long period of recent operating data. In any event, as the Rock Transportation Sub-Contract is on a re-measurement basis, the actual amount payable by Faith Oriental will be determined based on the actual quantity of Rock Transportation Works undertaken and the agreed unit rates under the Rock Transportation Sub-Contract.

In respect of the unit rates, we have reviewed the rate build-up of each work item. We noted that the unit rates were determined based on estimated plant and labour cost, electricity cost, fuel cost and plant maintenance cost.

Based on our review, we noted that the purchase costs of the major plant and equipment adopted in the rate build-up were broadly supported by the relevant quotations or supporting documents provided by the Company. We also noted that the plant operator rate, electricity tariff and fuel price adopted in the rate

build-up were supported by wage benchmark information, electricity bill and fuel cost records respectively. Certain assumptions, including plant depreciation period, plant usage allocation and plant maintenance cost, were based on management's estimates with reference to the nature and expected usage of the relevant plant and machinery.

Review of overall profit margin

We noted that the rate build-up of the Rock Transportation Sub-Contract includes allowances for overall profit margin. We understand from the management of the Company that the Group did not have any project within the past three years with independent third parties which involved rock transportation works or work elements similar to those under the Rock Transportation Sub-Contract for direct comparison purpose. We further understand that the Rock Transportation Works are ancillary and complementary to the Underground Quarry Works and form part of the overall works arrangement in respect of the 2026 Main Contract and thus adopted the same profit margin as the Underground Quarry Works.

In the absence of directly comparable projects with independent third parties for the Rock Transportation Works, we have considered the profit margin adopted under the Rock Transportation Sub-Contract with reference to the benchmark adopted for the Underground Quarry Sub-Contract. As explained above, we have obtained and reviewed the tender summary sheet of Project A. We noted that the profit margin adopted under the Rock Transportation Sub-Contract was the same as that adopted under the Underground Quarry Sub-Contract and Project A. As such, we consider that the profit margin and risk allowance adopted under the Rock Transportation Sub-Contract are fair and reasonable and and no less favourable to the Group than those available from independent third parties.

We have also reviewed the payment terms of the Rock Transportation Sub-Contract, including the retention monies arrangement. We noted that the retention monies under the Rock Transportation Sub-Contract are approximately 1% of the Rock Transportation Sub-Contract price and that the retention percentage and release mechanism are comparable to those under Project A. As such, we consider such retention monies arrangement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Re-measurement basis

We note that the Rock Transportation Sub-Contract is on a re-measurement basis, and payment will be made based on the actual quantity of Rock Transportation Works undertaken and the unit rates set out in the Rock Transportation Sub-Contract. We consider such arrangement to be fair and reasonable as the actual quantity of rock material to be handled may vary depending on the actual volume of rock material requiring transportation within the site.

As stated in the Letter from the Board, each truckload of rock material transported for the purposes of being uploaded and fed into Faith Oriental's rock crushing plant and/or being uploaded from the rock crushing plant to designated dump trucks will be weighed at the on-site weigh bridge, witnessed by representatives of both the Group and Wai Kee and recorded accordingly. Quantities of rock transported for the purpose of being uploaded into the rock crushing plant and delivered to Faith Oriental's processing plant will be determined based on computer data recorded at the processing plant.

We also note that the Rock Transportation Sub-Contract price is subject to adjustment in respect of authorised variations to specific Rock Transportation Works that will be separately agreed between the parties if and when they arise. We understand from the management of the Company that, to the extent such authorised variations involve work items which are the same as or analogous to the existing Rock Transportation Works, they will be valued by reference to the pre-agreed unit rates set out in the Rock Transportation Sub-Contract. Where no applicable rates or prices are available, the Group will apply the same pricing policy as that adopted in determining the original unit rates of the Rock Transportation Sub-Contract. We consider such adjustment mechanism to be fair and reasonable because it applies only to authorised variations to the agreed scope of the Rock Transportation Works, while the original Rock Transportation Works will continue to be charged based on the actual quantities of works performed and the pre-agreed unit rates set out in the Rock Transportation Sub-Contract. Having considered that payments under the Rock Transportation Sub-Contract will be based on actual quantities of works performed and the pre-agreed unit rates set out in the Rock Transportation Sub-Contract, and the adjustment mechanism for authorised variations, we consider the re-measurement basis and the adjustment mechanism under the Rock Transportation Sub-Contract to be fair and reasonable.

Conclusion on the Rock Transportation Sub-Contract

Having taken into account (i) the quantity basis and rate build-up for all three work items under the Rock Transportation Sub-Contract; (ii) the supporting documents for major plant and equipment costs, plant hire cost, plant operator rate, electricity tariff and fuel cost; (iii) the comparable project information supporting the profit margin; and (iv) the re-measurement basis and quantity verification mechanism, we consider that the terms of the Rock Transportation Sub-Contract, including the estimated contract sum and the unit rates, are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

E. Internal control and approval procedures

As stated in the Letter from the Board, to ensure that the Group's margins for sub-contracting projects (with parties whether or not connected persons) are determined appropriately, the Group has internal control procedures in place whereby the negotiations, assessment of terms, pricing and details of works and estimation of costs and margins are conducted and reviewed by at least two directors of the sub-contracting entity. For sub-contracting projects with a contract sum of over HK$10 million, approval from the Chairman of the Group is also required.

We have obtained and reviewed the relevant internal approval documents, including the requisite review records of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract by the directors of Titan, approval by the Chairman of the Group, and Board resolutions approving the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract.

As disclosed in the Letter from the Board, the negotiations and review of the terms and pricing of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract were conducted by two directors of Titan who do not have any material interests in the transactions contemplated under the Sub-Contracts and do not hold any role in Wai Kee Group other than the Group, thereby ensuring that the commercial terms were arrived at on an arm's length basis.

We note that Mr. Zen, the Chairman and an executive Director of the Company, also holds directorship and shareholding interests in Wai Kee. In this regard, Mr. Zen's involvement in the approval of the Sub-Contracts was limited to his role under the Group's established internal control procedures, which require oversight by the Chairman for contracts exceeding HK$10 million. We understand that such involvement is supervisory in nature, forming part of a standardized approval procedure applicable to all projects of similar scale. Based on our discussion with management, Mr. Zen did not participate in, nor influence, the negotiation of the commercial terms, pricing determination, contractor selection, or evaluation process of the Sub-Contracts. His review was confined to a high-level assessment of the project scope, commercial rationale, and alignment with the Group's overall business strategy.

Based on our review, we noted that the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract were reviewed and approved in accordance with the Group's internal approval procedures. We also noted that Mr. Zen has abstained from voting on the Board resolution approving the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract.

Having considered the above, we are of the view that appropriate measures have been put in place to safeguard the interests of the Company and the Independent Shareholders in respect of the Underground Quarry Sub-Contract and the Rock Transportation Sub-Contract.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Underground Quarry Sub-Contract, the Rock Transportation Sub-Contract and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we ourselves recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Underground Quarry Sub-Contract, the Rock Transportation Sub-Contract and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng	**Cathy Leung**
Managing Director	*Director*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.