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**If you have sold or transferred** all your shares in Asia Allied Infrastructure Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# 亞洲聯合基建控股有限公司

## ASIA ALLIED INFRASTRUCTURE HOLDINGS LIMITED

*(Incorporated in Bermuda with Limited Liability)*

(Stock Code: 00711.HK)

**(1) MAJOR TRANSACTION IN RELATION TO  
PROPOSED ACQUISITION OF CONTROLLING STAKE IN  
MODERN LIVING INVESTMENTS HOLDINGS LIMITED;  
AND  
(2) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER BY  
SOMERLEY CAPITAL LIMITED  
ON BEHALF OF CHUN WO OVERSEAS HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
MODERN LIVING INVESTMENTS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

Unless the context otherwise requires, all capitalised terms used in this circular shall have the meanings as set out in the section headed “**Definitions**” of this circular.

A letter from the Board (as defined in this circular) is set out on pages 7 to 29 of this circular.

The Company has obtained written approval for the Acquisition and the Share Offer in accordance with Rule 14.44 of the Listing Rules from the controlling Shareholder which holds more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting. Accordingly, no Shareholders’ meeting will be convened to approve the Acquisition and the Share Offer pursuant to Rule 14.44 of the Listing Rules.

This circular is being despatched to the Shareholders for information only.

This circular is prepared in both Chinese and English. In case of any discrepancies between the Chinese and English versions, the English version shall prevail.

23 February 2024

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## DEFINITIONS

*In this circular, the following terms or expressions shall have the meanings set out below unless the context requires otherwise:*

“1st Deferred Consideration”	a sum of HK\$10,000,000 shall be paid by the Offeror to R5A if the Profit Targets are satisfied pursuant to the Sale and Purchase Agreement
“2nd Deferred Consideration”	a sum of HK\$10,000,000 shall be paid by the Offeror to R5A if the Profit Targets are satisfied pursuant to the Sale and Purchase Agreement
“3rd Deferred Consideration”	a sum of HK\$9,000,000 shall be paid by the Offeror to R5A if the Profit Targets are satisfied pursuant to the Sale and Purchase Agreement
“2024 Net Profit”	means the net profit after tax of the Target Company for the year ending 31 December 2024 on the Target Company’s audited consolidated income statement to be set out in its annual report for the year ending 31 December 2024
“2025 Net Profit”	means the net profit after tax of the Target Company for the year ending 31 December 2025 on the Target Company’s audited consolidated income statement to be set out in its annual report for the year ending 31 December 2025
“2026 Net Profit”	means the net profit after tax of the Target Company for the year ending 31 December 2026 on the Target Company’s audited consolidated income statement to be set out in its annual report for the year ending 31 December 2026
“Acquisition”	the proposed acquisition of the Sale Shares by the Offeror from the Vendors pursuant to the Sale and Purchase Agreement
“acting in concert”	has the meaning given in the Takeovers Code
“Affiliate”	of a specified person means any other person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person or, in the case of a natural person, such person’s spouse, parents and descendants (whether by blood or adoption and including stepchildren); and for the purpose of defining “Affiliate”, each of the terms “control”, “controls”, “controlled” (or any correlative term) means the possession, directly or indirectly, of the power to direct or cause the direction of the management of a person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise, and a person shall be deemed to control another person if such first person, directly or indirectly, owns or holds more than 50% of the voting equity interests in such other person

## DEFINITIONS

“associate(s)”	has the meaning given in the Takeovers Code
“Board”	the board of the Directors
“Business”	the business of any member of the Target Group in providing property management services
“Business Day(s)”	a day (not being a Saturday, Sunday, public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning, or “extreme conditions” announced by the Government of Hong Kong is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) when banks generally are open in Hong Kong for the transaction of general banking business
“Cash and Equivalents”	(a) pledged bank deposits, (b) short term bank deposits and (c) cash and cash equivalents of the Target Group
“Client”	an individual or entity to whom any member of the Target Group has provided services in Hong Kong in respect of the Businesses as at the date of the Sale and Purchase Agreement, within two years prior to the commencement of and during the Non-Compete Period
“Company”	Asia Allied Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the 3rd Business Day, or such other date as the Vendors and the Offeror may agree, after fulfilment (or wavier where applicable) of all the conditions precedent set out in the section headed “Sale and Purchase Agreement — Conditions precedent” in this circular
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares
“controlling shareholder”	has the meaning given in the Listing Rules
“Deferred Consideration”	means any of the 1st Deferred Consideration, 2nd Deferred Consideration and 3rd Deferred Consideration

## DEFINITIONS

“Designated Assets”	the financial assets of the Target Group as presented in 2022 annual report of the Target Company, save for normal depreciation or amortisation of the assets of the Target Group in accordance with accounting policies adopted by the Target Company and HKFRSs (if applicable)
“Director(s)”	director(s) of the Company
“Encumbrances”	includes without any limitation, with respect to any asset, any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set-off, counterclaim, trust arrangement or other security or any equity or restriction (including any restriction imposed under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong))
“Enlarged Group”	the Group as enlarged by the Acquisition
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Housing Authority”	Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong)
“Initial Consideration”	the first batch of Consideration to be paid to the Vendors as disclosed in the section headed “Sale and Purchase Agreement — Consideration” in this circular
“Joint Announcement”	an announcement dated 31 January 2024 jointly issued by the Company, the Offeror and the Target Company in respect of, among other things, the Acquisition and the Share Offer

## DEFINITIONS

“Last Trading Day”	26 January 2024, being the last trading day of the Target Company Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	19 February 2024, being the latest practicable date for ascertaining certain information for the inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2024
“Mr. Ho”	Mr. Ho Chu Ming
“Mr. Ng”	Mr. Ng Fuk Wah
“Mr. Tang”	Mr. Tang Kong Fuk
“Non-Compete Period”	a period of 3 years after Completion
“Offer Share(s)”	the Target Company Shares that are subject to the Share Offer
“Offeror”	Chun Wo Overseas Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“PMC”	a Property Management Company holding a valid PMC Licence
“PMC Licence”	a Property Management Licence granted by the PMSA
“PMP Licence”	a PMP (Tier 1) Licence or a PMP (Tier 2) Licence
“PMP (Tier 1) Licence”	a Property Management Practitioner (Tier 1) Licence granted by the PMSA
“PMP (Tier 2) Licence”	a Property Management Practitioner (Tier 2) Licence granted by the PMSA
“PMSA”	Property Management Services Authority of Hong Kong
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau and Taiwan

## DEFINITIONS

“Profit Targets”	the targets for the 2024 Net Profit, the 2025 Net Profit and the 2026 Net Profit which trigger the Offeror’s obligation to pay the relevant Deferred Consideration under the Sale and Purchase Agreement, as set out in the section headed “Sale and Purchase Agreement — Consideration” in this circular
“R5A”	R5A Group Limited, a company incorporated in the British Virgin Islands, the ultimate beneficial owners of which are set out in the first paragraph of the section headed “Information on the Vendors” in this circular
“Relevant Period”	the period from 1 January 2023 to the Completion Date
“relevant securities”	as defined in Note 4 to Rule 22 of the Takeovers Code
“Remaining Shares”	80,000,000 Target Company Shares which will remain to be legally and beneficially owned by R5A immediately after Completion
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 January 2024 entered into among the Offeror and the Vendors in relation to the Acquisition
“Sale Shares”	473,870,000 Target Company Shares, representing approximately 59.23% of the issued share capital of the Target Company which are to be acquired by the Offeror pursuant to the terms of the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the mandatory unconditional cash offer to be made by Somerley, on behalf of the Offeror, to acquire all the issued Target Company Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.350 per Offer Share
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

## DEFINITIONS

“Sommerley”	Sommerley Capital Limited, a licensed corporation under the SFO to carry on type 1 (dealing in Securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	Modern Living Investments Holdings Limited, a company incorporated in Cayman Island with limited liability, the issued ordinary shares of which are listed on the GEM Board of the Stock Exchange (stock code: 8426)
“Target Company Board”	the board of Target Company Directors
“Target Company Director(s)”	director(s) of the Target Company
“Target Company Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Target Company
“Target Company Shareholder(s)”	holder(s) of the Target Company Shares
“Target Group”	the Target Company and its subsidiaries
“Vendors”	collectively, RSA, Mr. Ng, Mr. Ho and Mr. Tang
“%”	per cent





# 亞洲聯合基建控股有限公司

## ASIA ALLIED INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 00711.HK)

*Executive Directors:*

Pang Yat Ting, Dominic (*Chairman*)  
Xu Jianhua, Jerry (*Deputy Chairman*)  
Pang Yat Bond, Derrick *JP* (*Chief Executive Officer*)  
Shea Chun Lok, Quadrant (*Chief Financial Officer*  
and *Company Secretary*)

*Non-executive Directors:*

Wong Wendy Dick Yee  
Yim Yuk Lun, Stanley *BBS JP*

*Independent Non-executive Directors:*

Wu William Wai Leung  
Lam Yau Fung, Curt  
Ho Gilbert Chi Hang  
Yen Gordon

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place  
of Business:*

C1, 5th Floor  
Hong Kong Spinners Industrial  
Building Phase 1  
601–603 Tai Nan West Street  
Cheung Sha Wan, Kowloon  
Hong Kong

23 February 2024

*To the Shareholders*

Dear Sir/Madam,

**(1) MAJOR TRANSACTION IN RELATION TO  
PROPOSED ACQUISITION OF CONTROLLING STAKE IN  
MODERN LIVING INVESTMENTS HOLDINGS LIMITED;  
AND  
(2) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER BY  
SOMERLEY CAPITAL LIMITED  
ON BEHALF OF CHUN WO OVERSEAS HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
MODERN LIVING INVESTMENTS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY CHUN WO OVERSEAS HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

## LETTER FROM THE BOARD

### (1) INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Acquisition and the Share Offer. On 26 January 2024 (after trading hours of the Stock Exchange), the Offeror (as purchaser) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell, and the Offeror conditionally agreed to purchase, 473,870,000 Target Company Shares, which represents approximately 59.23% of the issued share capital in the Target Company for the consideration of HK\$165,854,500 as more particularly set out below.

The purpose of this circular is to provide Shareholders with, among other things, (i) detail of the Sale and Purchase Agreement; (ii) the financial information and other information of the Company; (iii) the financial information and other information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) other information required under the Listing Rules.

### (2) SALE AND PURCHASE AGREEMENT

#### **Date**

26 January 2024

#### **Parties**

- (i) R5A;
- (ii) Mr. Ng;
- (iii) Mr. Ho;
- (iv) Mr. Tang (together with R5A, Mr. Ng and Mr. Ho, as Vendors); and
- (v) the Offeror (as purchaser).

The Offeror is a company incorporated in the Cayman Islands with limited liability and its principal activity is investment holding. The Offeror is a direct wholly-owned subsidiary of the Company. The Vendors and the ultimate beneficial owners of R5A are third parties independent of the Company and connected persons of the Company and none of the Vendors have any other relationships with or connection to the Company and connected persons of the Company, notwithstanding the Vendors are deemed to be parties acting in concert with the Offeror pursuant to the Takeovers Code.

#### **Sale Shares**

Pursuant to the Sale and Purchase Agreement, the Offeror has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares free from all Encumbrances together with all rights and benefits attaching or accruing to them, including all rights to any dividend or other distribution declared made or paid, the record date of which is on or after the Completion Date. The total number of Sale Shares,

## LETTER FROM THE BOARD

comprising a total of 473,870,000 Target Company Shares, represents approximately 59.23% of the total issued share capital of the Target Company as at the Latest Practicable Date.

### Consideration

The Consideration for the Sale Shares shall be in the maximum sum of HK\$165,854,500 (equivalent to HK\$0.350 per Sale Share). The Initial Consideration in the sum of HK\$136,854,500 shall be payable by the Offeror to the Vendors in cash on the Completion Date. The remaining part of the Consideration shall become payable to R5A if the Profit Targets are satisfied:

- (A) If the 2024 Net Profit is of HK\$15,000,000 or more, then the 1st Deferred Consideration in the sum of HK\$10,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Target Company's publication of the annual report for the year ending 31 December 2024;
- (B) If the 2025 Net Profit is of HK\$15,000,000 or more, then the 2nd Deferred Consideration in the sum of HK\$10,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Target Company's publication of the annual report for the year ending 31 December 2025;
- (C) If the 2024 Net Profit is of HK\$13,000,000 or more and is less than HK\$15,000,000 and if the aggregate of the 2024 Net Profit and the 2025 Net Profit is of HK\$30,000,000 or more, then the 1st Deferred Consideration shall be paid by the Offeror to R5A within 10 Business Days from the Target Company's publication of the annual report for the year ending 31 December 2025; for the avoidance of doubt, if the 2024 Net Profit less than HK\$13,000,000 and if the aggregate of the 2024 Net Profit and the 2025 Net Profit is of HK\$30,000,000 or more, the 1st Deferred Consideration shall not be payable; and
- (D) If the 2026 Net Profit is of HK\$15,000,000 or more, then 3rd Deferred Consideration in the sum of HK\$9,000,000 shall be paid by the Offeror to R5A within 10 Business Days from the Target Company's publication of the annual report for the year ending 31 December 2026.

If the Target Group undertakes new business operations other than property management services to be provided to public and subsidised housing in Hong Kong, the Offeror and R5A shall discuss in good faith as to whether any of the Profit Targets shall be adjusted, provided that the aggregate amount of all the Deferred Consideration shall not be more than HK\$29,000,000. For the avoidance of doubt, such adjustments may relate to the amounts of Profit Targets, the timing of paying the Deferred Consideration (where applicable) and/or the amount of Deferred Consideration payable in each financial year of the Target Company. The overall effect of such adjustments (if any) will be maintaining or reducing the aggregate amount of the Deferred Consideration.

## LETTER FROM THE BOARD

If any of the Profit Targets is not satisfied, the total Consideration payable to R5A will be reduced by the relevant amount of Deferred Consideration, while the total Consideration payable to the other Vendors will not be reduced.

Given the above terms under the Sale and Purchase Agreement, for R5A to obtain the Deferred Consideration, the Target Company will have to achieve the 2024 Net Profit, 2025 Net Profit and 2026 Net Profit, which shall not be less than HK\$15,000,000 in each year.

The number of Sale Shares to be sold by, and the Consideration payable to, each Vendor are set out below:

	R5A	Mr. Ng	Mr. Ho	Mr. Tang
<b>Number of Sale Shares to be sold</b>	411,440,000	53,390,000	4,840,000	4,200,000
<b>Initial Consideration</b>	HK\$115,004,000	HK\$18,686,500	HK\$1,694,000	HK\$1,470,000
<b>1st Deferred Consideration</b>	HK\$10,000,000	Not applicable	Not applicable	Not applicable
<b>2nd Deferred Consideration</b>	HK\$10,000,000	Not applicable	Not applicable	Not applicable
<b>3rd Deferred Consideration</b>	<u>HK\$9,000,000</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<b>Total Consideration</b>	<u>HK\$144,004,000</u>	<u>HK\$18,686,500</u>	<u>HK\$1,694,000</u>	<u>HK\$1,470,000</u>

The Consideration amount was arrived at based on arm's length negotiations between the Offeror and the Vendors having taken into account, among others, the following factors:

(i) *the business outlook and financial information of the Target Group*

The public and subsidised housing market in Hong Kong has been growing. As announced in the Chief Executive's 2023 Policy Address, the Government has identified sufficient land for providing about 410,000 public housing units in the coming 10-year period from 2024–25 to 2033–34. In the next five years (from 2024–25 to 2028–29), total public housing supply (including Light Public Housing), will reach 172,000 units. It is envisaged that the growth of public housing property management services business will expand simultaneously with the development of public housing market in Hong Kong. As at 30 September 2023, the Target Group was contracted to provide services to as 17 public housing estates and 4 Home Ownership Scheme estates. The Target Group has demonstrated its capability to secure contract from the Housing Authority throughout the past years. The Directors believe that the Target Group will benefit from the growth of the public and subsidised housing market. The Target Group possesses verifiable track records and is expected to sustain its existing business operations in the foreseeable future.

## LETTER FROM THE BOARD

As disclosed in the 2022 annual report of the Target Company, the Target Group has recorded revenue of approximately HK\$406.0 million and net profit of approximately HK\$21.2 million for the year ended 31 December 2022. As disclosed in the 2023 third quarter report of the Target Company, the Target Group has recorded revenue of approximately HK\$250.2 million and profit for the period of approximately HK\$17.4 million for the nine months ended 30 September 2023.

As disclosed in the 2023 interim report and the 2022 annual report of the Target Company, the Target Group's total assets, as at 30 June 2023, amounted to approximately HK\$214.2 million (approximately HK\$202.0 million as at 31 December 2022), mainly comprised of (i) trade receivables of approximately HK\$54.2 million (approximately HK\$64.2 million as at 31 December 2022); (ii) cash and bank balances of HK\$52.9 million (approximately HK\$11.4 million as at 31 December 2022); (iii) short term bank deposits of approximately HK\$43.0 million (approximately HK\$62.1 million as at 31 December 2022); and (iv) pledged bank deposits of approximately HK\$34.6 million (approximately HK\$34.6 million as at 31 December 2022). Meanwhile, the Target Group's total liabilities, as at 30 June 2023, amounted to approximately HK\$52.9 million (approximately HK\$51.7 million as at 31 December 2022), mainly comprised of other payables and accrued liabilities of approximately HK\$46.8 million (approximately HK\$44.4 million as at 31 December 2022). The net assets of the Target Group as at 30 June 2023 amounted to approximately HK\$161.3 million (approximately HK\$150.3 million as at 31 December 2022), which has retained a satisfactory and relatively stable financial position.

*(ii) the fact that the Company and the Offeror will obtain a controlling interest in the Target Company upon Completion*

The Offeror proposes to acquire approximately 59.23% equity interest of the Target Group. Upon Completion, the Offeror will become the controlling shareholder of the Target Group. The Directors has taken into account of a control premium for acquiring a listed company to determine the Consideration.

*(iii) the historical trading prices of the Target Company Shares traded on GEM*

Historical trading prices and performance of the Target Company Shares was also considered for determining the Consideration. The Consideration per Sale Share of HK\$0.350 represents a premium of approximately 22.81% to the closing price of HK\$0.285 per Target Company Share as quoted on the Stock Exchange on the date of Sale and Purchase Agreement.

One of the business segments of the Group is professional services which have been provided by City Services Group Limited (“**City Services Group**”), being one of subsidiaries of the Group. The services provided by City Service Group include (a) property management, (b) facilities management, (c) cleaning services, (d) clubhouse management, and (e) security services. City Services Group has over 25 years of experience in security and property management and currently has over 3,000 employees. During the 25 years of operation history, City Services Group managed over 36 million

## LETTER FROM THE BOARD

square feet of the service areas and provided services to over 200 properties with over 55,000 hours. Its clients of property management and cleaning services include residential buildings, shopping malls and public organisations such as The Hong Kong Jockey Club, Hong Kong Palace Museum and Hong Kong Adventist Hospital. Its experience in security services cover large-scale activities and international events, such as the Hong Kong Brands and Products Expo and the Hong Kong Food Carnival. With respect to the facilities management, City Services Group is currently managing five tunnels in Hong Kong.

The Group faced certain limitations to expand its market share in the public sector for the property management services. Upon the Acquisition, the Group will be able to acquire the proven track record of the Target Group in providing property management services in the public sector, which will enable the Group to expand its presence in the public sector swiftly and benefit from the growth in the public sector driven by the favourable government policy. By integrating the Target Group comprehensive property management services, the Company's strategy aims to unlock promising growth opportunities in the public housing market and leverage strong synergies with its existing management service capabilities upon completion of the Acquisition. The Board expects that the synergy effect could benefit the Group's development by expanding its property management services into the public sector, diversifying the Group's client portfolio, and positioning the Group for enhanced market presence and increased value creation to the Shareholders.

By using a holistic approach taking into account all relevant factors and analysis available, including but not limited to:

- (i) the growth potential of the Target Group as discussed in the business outlook of the Target Group above;
- (ii) the relatively stable and healthy financial performance of the Target Group;
- (iii) the implied historical price-to-earning ratio of the Target Group was around 13.22 times based on the net profit of the Target Group for the year ended 31 December 2022, which is below or comparable with the implied historical price-to-earning ratios in similar acquisitions (that are identifiable from the public domain during the three years prior to the Latest Practicable Date) of companies (a) providing property management services in Hong Kong and (b) with relatively stable after-tax profits. In the acquisition made by Financial Street Property Co., Ltd. (stock code of 1502) as announced by it on 21 March 2023, the implied historical price-to-earning ratio for acquiring a non-listed property management company was approximately 14.17 times. In the acquisition of 53.51% shares in Creative Enterprise Holdings Limited (delisted with its former stock code of 3992) as announced by it on 8 March 2021, the implied historical price-to-earning ratio was approximately 24.33 times. Save for the aforementioned acquisitions, the Company is not aware of other similar acquisitions which were conducted within the aforementioned time frame and identifiable from the public domain;
- (iv) the Company will obtain the controlling interest in the Target Company;

## LETTER FROM THE BOARD

- (v) the Company's strategic planning and the potential synergy with the Group's existing business that the Acquisition may achieve, as discussed above and in the section headed "(8) Reasons for and benefits of the Acquisition";
- (vi) the Cash and Equivalents as at the Completion Date shall not be less than HK\$100 million pursuant to the Sale and Purchase Agreement to support the working capital and the business of the Target Group for future operations;
- (vii) the adjustment mechanism on the Consideration has been built in based on the future performance of the Target Group; and
- (viii) the Company being an additional listing platform for the Group to conduct capital market activities, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

### Conditions precedent

Completion is conditional upon the fulfilment or waiver (where applicable) of the following conditions:

- (A) up to the Completion Date, the Target Company Shares remaining listed and traded on GEM, and no notification or indication being received from the Stock Exchange or the SFC prior to Completion that the listing of the Target Company Shares on GEM will or may be, for whatever reason, withdrawn or suspended for more than 7 consecutive Business Days (excluding any suspension for the purpose of obtaining clearance from the SFC or the Stock Exchange for the Joint Announcement and any announcements relating to the transactions contemplated under the Sale and Purchase Agreement);
- (B) the passing by the Shareholders (as required under the Listing Rules) the resolutions to approve the transactions contemplated under the Sale and Purchase Agreement;
- (C) all necessary approvals and consents by the landlord and contractual counterparties of the Target Group in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (D) in relation to the transactions contemplated in the Sale and Purchase Agreement, all relevant regulatory requirements (including but not limited to those under the GEM Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied;
- (E) no material adverse change or prospective material adverse change in the Target Group's business, operations, financial conditions or prospects has occurred between the date of the Sale and Purchase Agreement and the Completion Date;

## LETTER FROM THE BOARD

- (F) the Vendors' warranties and representations under the Sale and Purchase Agreement having remained true and accurate in all material respects; and
- (G) each Vendor having performed and complied with all agreements, obligations and conditions contained in the Sale and Purchase Agreement that are required to be performed or complied with by it on or before Completion.

The Offeror may waive any of the conditions precedent set out in (A), (C), (E), (F) and (G) above and such waiver may be made subject to such terms and conditions as may be determined by the Offeror. All of the other conditions precedent may not be waived.

As at the Latest Practicable Date, the condition precedent set out in (B) has been fulfilled. None of the remaining conditions precedent has been fulfilled. The consents for the change of control of the Target Company (resulting from the Acquisition) required under (C) are from (i) the landlord of a member of the Target Group in respect of its office premises and (ii) the contract party of a research & development agreement as required under the said agreement. The Target Group has been seeking such consents and there is no condition or requirement that the Target Group has to comply with for obtaining such consents.

If the conditions precedent have not been fulfilled or waived (where applicable) at or before 12:00 noon on the Long Stop Date (or such later date as the Vendors and the Offeror may agree in writing), the Sale and Purchase Agreement shall lapse and all rights and obligations of the Offeror and the Vendors shall cease to have effect except in respect of any accrued rights and obligations and shall be without prejudice to certain surviving provisions contained in the Sale and Purchase Agreement.

### **Completion**

If all the conditions precedent under the Sale and Purchase Agreement are fulfilled or waived (as the case maybe), Completion shall take place on the Completion Date.

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the financial statements of the Company.

### **Vendors' undertakings**

The Vendors have given the following undertakings to the Offeror in the Sale and Purchase Agreement:

- (1) Non-acceptance of Share Offer: R5A shall not accept the Share Offer in respect of the Remaining Shares and any other securities of the Target Company held or controlled by R5A during the offer period (as defined in the Takeovers Code).



## LETTER FROM THE BOARD

- (2) Non-disposal: R5A shall not sell, transfer or otherwise dispose of, or create any Encumbrance over, any of the Remaining Shares or any economic interests in the Remaining Shares for a period commencing on the date of the Sale and Purchase Agreement and expiring on the day falling 36 months after the Completion Date. There is no agreement between the Offeror and R5A as to how R5A may dispose of the Remaining Shares after the above-mentioned 36 months' period.
- (3) No material adverse change: The Vendors undertake that, during the Relevant Period, there shall not be any material write off nor shall there be any material accounting provision for probable loss pursuant to HKFRSs made to (A) any of the claims or proceedings against the Target Group or any of the existing litigations set out in the Sale and Purchase Agreement; (B) the Target Group's business of providing property management services; and (C) the value of the Designated Assets.

This undertaking shall not apply to (a) any new litigation, claim or proceedings made against the Target Group after the Completion Date; (b) any new contract of property management services entered into by the Target Group after the Completion Date; (c) any new financial assets acquired by the Target Group after the Completion Date; (d) any change or development or any event or series of events, matters or circumstances in relation to any Designated Asset which is unforeseeable and unforeseen, or uncontrollable by the Target Group at the Completion Date but the occurrence of which during the Relevant Period will result in the making of a material write off or a material provision to the Designated Asset during the Relevant Period.

- (4) The Vendors undertake that the total amount of the Cash and Equivalents as at the Completion Date shall not be less than HK\$100 million.
- (5) In respect of PMP Licences:
  - (a) Mr. Ho undertakes to maintain his PMP (Tier 1) Licence granted by the PMSA for a period commencing on the date of the Sale and Purchase Agreement and ending on the date falling 36 months from Completion Date.
  - (b) Mr. Tang undertakes to maintain his PMP (Tier 2) Licence granted by the PMSA for a period commencing on the date of the Sale and Purchase Agreement and ending on the date falling 36 months from the Completion Date.
  - (c) Mr. Ho, Mr. Tang and R5A undertake that the Target Group will maintain sufficient holders of PMP Licences granted by the PMSA, as required by law, during the contract term (including the potential extension thereof) of each property management contract to which a member of the Target Group is party as at the date of the Sale and Purchase Agreement.

## LETTER FROM THE BOARD

- (6) The Purchaser shall appoint the auditor of the Target Company to certify, within 30 Business Days after the Completion, the total amount of Cash and Equivalents as at the Completion Date. In the event that the total amount of Cash and Equivalents as at the Completion Date is less than HK\$100 million, then the Vendors shall pay to the Offeror in cash within 10 Business Days from the aforesaid certification an amount which is equivalent to the product of (x) the aggregate amount of the shortfall in the Cash and Equivalents as at the Completion Date below HK\$100 million times (y) 59.23%.
- (7) Each of the Vendors undertakes and covenants that for the Non-Compete Period, neither it/he nor any of its/his Affiliates shall:
- (a) either on its/his own account or through any of its/his Affiliates, or in conjunction with or on behalf of any other person, be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with the Business in Hong Kong; and
  - (b) either on its/his own account or through any of its/his Affiliates or in conjunction with or on behalf of any other person, employ, solicit or entice away or attempt to employ, solicit or entice away from any member of the Target Group any person for the purpose of carrying on any business in direct competition with the Business in Hong Kong who is or shall have been at the date of or within twelve (12) months prior to such cessation a director, officer, legal representative, manager or employee of any such member of the Target Group whether or not such person would commit a breach of contract by reason of leaving such employment.
- (8) During the Non-Compete Period, other than in connection with his or her employment with and for the benefit of the Target Group, directly or indirectly, either individually or as a principal, partner, member, manager, agent, employee, employer, consultant, independent contractor, stockholder, joint venturer or investor, or as a director or officer of any corporation, limited liability company, partnership or other entity, or in any other manner or capacity whatsoever, none of the Vendors nor any of its/his Affiliates (as procured by any Vendor) shall:
- (a) solicit or divert or attempt to solicit or divert from the Target Group any business with any Client;
  - (b) solicit or divert or attempt to solicit or divert from the Target Group any business with any person or entity who was being solicited as a Client by the Target Group;
  - (c) induce or cause, or attempt to induce or cause, any salesperson, supplier, vendor, representative, independent contractor, broker, agent or other person transacting business with any member of the Target Group to

**LETTER FROM THE BOARD**

terminate or modify such relationship or association or to represent, distribute or sell services in competition with services of the Target Group; or

- (d) otherwise provide any services to any Client that are or have been provided by any member of the Target Group.

**(3) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER**

As at the Latest Practicable Date, the Target Company has 800,000,000 Target Company Shares in issue.

The Target Company does not have any other outstanding options, warrants or relevant securities which are convertible or exchangeable into the Target Company Shares as at the Latest Practicable Date.

The Vendors are deemed to be parties acting in concert with the Offeror. The Offeror and parties acting in concert (excluding the Vendors) with it do not own, control or have direction over any Target Company Shares or other relevant securities of the Target Company as at the Latest Practicable Date, and have not dealt for value in the Target Company Shares or other relevant securities of the Target Company during the 6-month period preceding the date of the Joint Announcement.

Upon Completion, the Offeror and parties acting in concert with it (excluding the Vendors) will own an aggregate of 473,870,000 Target Company Shares (representing approximately 59.23% of the Target Company Shares in issue as at the date of this circular) and the Offeror and all parties acting in concert with it (including R5A) will own an aggregate of 553,870,000 Target Company Shares (representing approximately 69.23% of the Target Company Shares in issue as at the date of this circular). Pursuant to Rule 26.1 of the Takeovers Code, immediately following Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Target Company Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

**Principal terms of the Share Offer**

Subject to Completion, Somerley will, on behalf of the Offeror, make the Share Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share. . . . . HK\$0.350 in cash

The Share Offer Price is the same as the maximum price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer is extended to all Target Company Independent Shareholders in accordance with the Takeovers Code. However, as mentioned in paragraph (1) in the section headed “Sale and Purchase Agreement — Vendors’ undertakings” in this circular,

## LETTER FROM THE BOARD

R5A shall not accept the Share Offer in respect of the Remaining Shares and any other securities of the Target Company held or controlled by R5A during the offer period (as defined in the Takeovers Code).

The making of the Share Offer is subject to Completion, which is conditional on the fulfilment or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement by the Long Stop Date. If any of such conditions precedent is not fulfilled or waived (as the case maybe) by the Long Stop Date (or such later date as may be agreed between the Offeror and the Vendors in writing), the Sale and Purchase Agreement will lapse and the Share Offer will not be made.

The Share Offer, if made, will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of the Target Company Shares or any other conditions. Any acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

The Target Company confirms that as at the date of this circular, (i) it has not declared any dividend or any other distribution which is not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Share Offer. If, after the date of this circular, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror reserves the right to reduce the Share Offer Price by an amount equal to the net amount of such dividend or other distribution.

### **Comparison of the Share Offer Price**

The Share Offer Price of HK\$0.350 per Offer Share represents:

- (i) a premium of approximately 22.81% to the closing price of HK\$0.285 per Target Company Share as quoted on the Stock Exchange on 26 January 2024, being the Last Trading Day;
- (ii) a premium of approximately 25.45% to the average of the closing prices of the Target Company Shares as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.279 per Target Company Share;
- (iii) a premium of approximately 38.34% to the average of the closing prices of the Target Company Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.253 per Target Company Share;
- (iv) a premium of approximately 73.27% to the average of the closing prices of the Target Company Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.202 per Target Company Share;

## LETTER FROM THE BOARD

- (v) a premium of approximately 86.17% to the audited consolidated net assets per Target Company Share of approximately HK\$0.188 as at 31 December 2022, calculated based on the Target Group's audited consolidated net assets of approximately HK\$150,291,000 as at 31 December 2022 as disclosed in the annual report of the Target Company published on 30 March 2023 and 800,000,000 Target Company Shares in issue as at 31 December 2022;
- (vi) a premium of approximately 73.27% to the unaudited consolidated net assets per Target Company Share of approximately HK\$0.202 as at 30 June 2023, calculated based on the Target Group's unaudited consolidated net assets of approximately HK\$161,349,000 as at 30 June 2023 as disclosed in the interim report of the Target Company published on 10 August 2023 and 800,000,000 Target Company Shares in issue as at 30 June 2023; and
- (vii) a premium of approximately 80.41% to the unaudited consolidated net assets per Target Company Share of approximately HK\$0.194 as at 30 September 2023, calculated based on the Target Group's unaudited consolidated net assets of approximately HK\$154,905,000 as at 30 September 2023 as disclosed in the third quarterly report of the Target Company published on 14 November 2023 and 800,000,000 Target Company Shares in issue as at 30 September 2023.

### **Highest and Lowest Closing Prices of the Target Company Shares**

The highest and lowest closing price of the Target Company Shares as quoted on the Stock Exchange during the six-month period immediately up to and including the Last Trading Day were HK\$0.305 per Target Company Share on 25 January 2024 and HK\$0.147 per Target Company Share on 11 October 2023 respectively.

### **Total Value of the Share Offer**

As at the Latest Practicable Date and on the basis of the Share Offer Price of HK\$0.350 per Target Company Share and 246,130,000 Target Company Shares subject to the Share Offer (excluding (a) the 473,870,000 Sale Shares to be acquired by the Offeror and parties acting in concert with it and (b) the 80,000,000 Remaining Shares), the Share Offer is valued at approximately HK\$86,145,500.

### **Confirmation of financial resources**

R5A, holding 80,000,000 Remaining Shares upon Completion, has undertaken in the Sale and Purchase Agreement not to accept the Share Offer, therefore the Offeror's maximum amount of cash payable for Initial Consideration and the full acceptance of the Share Offer shall not be more than HK\$223,000,000, assuming there is no change in the total number of Target Company Shares in issue from the date of this circular up to the close of the Share Offer.

## LETTER FROM THE BOARD

The Offeror intends to finance the Initial Consideration payable under the Sale and Purchase Agreement and the Share Offer with its internal resources and/or loan facility. Somerley, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the Initial Consideration and the full acceptance of the Share Offer.

#### (4) INFORMATION ON THE TARGET GROUP

The Target Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8426). The Target Group is principally engaged in the provision of property management services with a primary focus on public housing and subsidised housing in Hong Kong.

The Housing Authority is the Target Group's sole client and contributed all of the Target Group's total revenue. The Target Group's property management services include (i) property management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services), from which the majority portion of the Target Group's revenue is generated; (ii) security services; and (iii) cleaning services.

The following table sets out the number of properties the Target Group was contracted to provide services to as at 30 September 2023.

<b>Types of properties</b>	<b>Number of estates/ contracts</b>
(1) Public housing estates (excluding Home Ownership Scheme estates)	17
(2) Home Ownership Scheme estates	4

The property management contracts are normally of an initial term of three years and an extendable term of two years. The stand-alone cleaning service contracts and stand-alone security service contracts have an initial term of two years subject to two extensions, each with a further term of two years. The extension of the contract term is at the discretion of the Housing Authority. The Company understands from the Target Group that one important factor that the Housing Authority considers is the performance of the property management service provider during the initial contract term.

Out of the above-mentioned contracts, the term of one contract will end in December 2024, one contract will expire in the first quarter of 2026 and the term of all other contracts will end within the year 2025.

## LETTER FROM THE BOARD

Set out below is a summary of the unaudited financial information of the Target Group for the nine months ended 30 September 2023 and six months ended 30 June 2023 as extracted from the 2023 third quarterly report and 2023 interim report of the Target Company respectively, and the audited financial information of the Target Group for the two financial years ended 31 December 2022 and 31 December 2021 as extracted from the 2022 annual report of the Target Company:

	<b>Nine months ended 30 September 2023 (unaudited) HK\$'000</b>	<b>Year ended 31 December 2022 (audited) HK\$'000</b>	<b>Year ended 31 December 2021 (audited) HK\$'000</b>
Revenue	250,179	405,987	479,758
Profit before taxation	19,603	23,592	30,260
Profit for the period/year	17,364	21,180	25,457
	<b>As at 30 June 2023 (unaudited) HK\$'000</b>	<b>As at 31 December 2022 (audited) HK\$'000</b>	<b>As at 31 December 2021 (audited) HK\$'000</b>
Total assets	214,215	201,983	209,288
Total liabilities	(52,866)	(51,692)	(64,553)
Net assets	161,349	150,291	144,735

### **PMP Licenses**

Under the Property Management Services Ordinance (Chapter 626 of the Laws of Hong Kong), the property management services are divided into seven categories, namely (1) general management services to a property; (2) management of the environment of a property; (3) repair, maintenance and improvement of a property; (4) finance and asset management relating to a property; (5) facility management relating to a property; (6) human resources management relating to personnel involved in the management of a property; and (7) legal services relating to the management of a property. A company providing more than one category of the said ordinance prescribed property management services to a Hong Kong property which is subject to a deed of mutual covenant must hold a valid PMC Licence. A PMC must engage at least one PMP (Tier 1) Licence holder who has effective control of the provision of property management services by the PMC and it must engage a number of full-time PMP Licence holders that meet the minimum manning ratio specified by the PMSA.

Modern Living Property Management Limited, a direct wholly-owned subsidiary of the Target Company, is a PMC and is the operating company in the Target Group providing property management services.

## LETTER FROM THE BOARD

All of the Target Group's current property management contracts except three (as those three contracts are not subject to any deed of mutual covenant) are subject to the statutory requirement in respect of PMP Licence holders.

The difference between a PMP (Tier 1) Licence and a PMP (Tier 2) Licence lies mainly on the holder's academic qualifications, professional qualifications and relevant work experience. Based on the public information made available by the PMSA, a person who wishes to apply for a PMP (Tier 1) Licence must possess a bachelor or higher degree of academic qualification in property management specified by the PMSA, have accumulated at least three years of property management work experience and be a member of a PMSA-recognised professional body. An applicant who has other bachelor or higher degree of academic qualification, has accumulated at least five years of property management work experience and is a member of a PMSA-recognised professional body may also apply for PMP (Tier 1) Licence. On the other hand, a person who wishes to apply for a PMP (Tier 2) Licence must possess an associate degree, diploma or above academic qualification in property management specified by the PMSA (or who must possess a bachelor or higher degree, or equivalent academic qualification), have accumulated at least two years of property management work experience or one year of property management work experience under the supervision of PMP (Tier 1) Licence holder. An applicant who has other associate degree, diploma or above academic qualification with at least four years of property management work experience may also apply for a PMP (Tier 2) Licence.

Under the current licensing regime, a property management company is required to engage on a full-time basis the number of licensed PMPs in accordance with the specified ratios proportional to the total number of flats of all properties under its management. The current ratios are at least one PMP (Tier 1) Licence holder for every 3,000 flats or below (and such requirement cannot be replaced by PMP (Tier 2) Licence holders) and at least one PMP (Tier 2) Licence holder for every 1,500 flats or below (and such requirement can be replaced by a PMP (Tier 1) Licence holder). According to the information provided by the Target Group, as at the date of the Sale and Purchase Agreement, the number of PMP Licence holders required under the property management contracts and the number of PMP Licence holders employed by the Target Group is as follows:

Total no. of PMP (Tier 1) Licence holders required under the property management contracts:	15
Total no. of PMP (Tier 1) Licence holders employed by the Target Group:	35
Total no. of PMP (Tier 2) Licence holders required under the property management contracts:	29
Total no. of PMP (Tier 2) Licence holders employed by the Target Group:	47

As at the Latest Practicable Date, the Target Group maintains more than sufficient holders of PMP Licences for all of its current property management contracts.



## LETTER FROM THE BOARD

Mr. Ho, Mr. Tang and R5A had given undertakings in respect of PMP Licences (as disclosed in paragraph (5) in the section headed “(2) Sale and Purchase Agreement — Vendors’ undertakings” in this circular) because they have been managing the Target Group for many years and thus it is commercially reasonable for the Offeror to request them to give such undertakings. Mr. Ho is expected to continue his role as an executive director of the Target Company and to continue exercising effective control over the provision of property management services by the relevant member of the Target Group, i.e. Modern Living Property Management Limited, in the near future. Nevertheless, the Company and the Offeror intend that the Target Group will further develop its talent and human resources in the future with the view to increasing the number of PMP Licence holders and expanding its business with a growth in the number of property management contracts, such that the Target Group’s business can be sustained in a vigorous manner beyond the expiry of the 36-month period of their undertakings.

### (5) SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The following table sets out the shareholding structure of the Target Company (i) as at the Latest Practicable Date; and (ii) immediately following Completion and before the close of the Share Offer (assuming no other changes to the issued share capital of the Target Company from the date of this circular):

	<b>As at the Latest Practicable Date</b>		<b>Immediately following Completion and before the close of the Share Offer</b>	
	<i>Number of Target Company Shares</i>	<i>Approximate %</i>	<i>Number of Target Company Shares</i>	<i>Approximate %</i>
The Offeror	—	—	473,870,000	59.23
R5A <sup>(3)</sup>	491,440,000	61.43	80,000,000	10.00
Mr. Ng <sup>(3)</sup>	53,390,000	6.67	—	0.00
Mr. Ho <sup>(3)</sup>	4,840,000	0.61	—	0.00
Mr. Tang <sup>(3)</sup>	4,200,000	0.53	—	0.00
<b>Sub-total for the Offeror and the parties acting in concert with it</b>	<b><u>553,870,000</u></b>	<b><u>69.23</u></b>	<b><u>553,870,000</u></b>	<b><u>69.23</u></b>
Public Shareholders	<u>246,130,000</u>	<u>30.77</u>	<u>246,130,000</u>	<u>30.77</u>
<b>Total</b>	<b><u><u>800,000,000</u></u></b>	<b><u><u>100.00</u></u></b>	<b><u><u>800,000,000</u></u></b>	<b><u><u>100.00</u></u></b>

Notes:

- The percentages are subject to rounding adjustments and may not add up to 100%.

## LETTER FROM THE BOARD

2. Apart from Mr. Ng, Mr. Ho and Mr. Tang, none of the Target Company Directors hold any securities of the Target Company as at the date of this circular.
3. The Vendors are deemed to be acting in concert with the Offeror under class (9) presumption of the definition of “acting in concert” under the Takeovers Code and by virtue of the Vendors’ undertaking given to the Offeror as detailed in the section headed “Sale and Purchase Agreement — Vendors’ undertakings” in this circular.

### **(6) INFORMATION ON THE VENDORS**

R5A, a company incorporated in the British Virgin Islands and it is an investment holding company. It is ultimately owned as to 55.34% by Ms. Tam Mo Kit (the spouse of Mr. Ng and the non-executive director of the Target Company), 16.40% by Mr. Sung Alfred Lee Ming, 14.07% by Mr. Ho, 12.91% by Mr. Tang and 1.28% by Mr. Ho Tik Wai. It is the registered owner of 491,440,000 Target Company Shares, representing approximately 61.43% of the issued share capital of the Target Company.

Mr. Ng, a resident of Hong Kong and an executive director and company secretary of the Target Company, and chief executive officer of the Target Group. Mr. Ng is the beneficial owner of 53,390,000 Target Company Shares, representing approximately 6.67% of the issued share capital of the Target Company. Mr. Ng is the spouse of Ms. Tam Mo Kit, who is deemed to be interested in all the Target Company Shares held by R5A for the purposes of the SFO.

Mr. Ho, a resident of Hong Kong and an executive director and chairman of the Target Company. Mr. Ho is the beneficial owner of 4,840,000 Target Company Shares, representing approximately 0.61% of the issued share capital of the Target Company.

Mr. Tang, a resident of Hong Kong and an executive director of the Target Company. Mr. Tang is the beneficial owner of 4,200,000 Target Company Shares, representing approximately 0.53% of the issued share capital of the Target Company.

To the best of the directors’ knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendors or any of the directors and legal representatives and/or any ultimate beneficial owner(s) of R5A who can exert influence on the Acquisition; and (b) the Company, any connected person at the Company’s level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the Acquisition).

### **(7) INFORMATION ON THE OFFEROR AND THE COMPANY**

#### **The Offeror**

The Offeror is incorporated in the Cayman Islands with limited liability and its principal activity is investment holding. It is a direct wholly-owned subsidiary of the Company.

## LETTER FROM THE BOARD

### **The Company**

The Company is a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00711) and its business nature of investment holding. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and assets leasing, professional services (including provision of security, tunnel and other facility management services), non-franchised bus services and manufacturing of positron emission tomography radiopharmaceuticals.

### **(8) REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Group's business is mainly focused on property management of public housing and subsidised housing in Hong Kong, with existing property management portfolio which comprises 17 public housing estates owned by the Housing Authority and 4 estates under the Home Ownership Scheme awarded by the Housing Authority as at 30 September 2023. Having considered the market potential of the property management industry, the Acquisition presents an opportunity for the Group to expand its presence in the Hong Kong property management market under an established brand name. The Acquisition would enable the Group to take advantage of the existing network and relationships of the Target Group, as well as the experienced and knowledgeable staff and management, relevant licences and approvals to seamlessly continue the existing business operations of the Target Group, which have satisfactory performance despite challenging environment and are expected to continue to generate promising growth and results to the Target Group through the stable stream of property management fee income. Accordingly, following the close of the Share Offer, the Offeror intends to continue the existing principal businesses of the Target Group. The Group also intends to develop its existing businesses and has no plan to downsize or change the scale of its existing businesses. Both the Offeror and the Target Company are confident that the Offeror will provide substantial support for the Target Group's strategic development, positioning the Target Group as a stronger player in Hong Kong's property management industry.

The Offeror has no intention to (i) introduce any major changes to the existing business and operations of the Target Group following the close of the Share Offer; (ii) discontinue the employment of any employees of the Target Group; or (iii) dispose of or re-deploy the fixed assets of the Target Group other than in its ordinary and usual course of business. The Offeror will continue to ensure good corporate governance, monitor and review the Target Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Target Group. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Target Group's business and operations to optimise the value of the Target Group.

Given the terms and conditions of the Sale and Purchase Agreement were arrived at after arm's length negotiation, the Directors, including independent non-executive directors of the Company, are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As no Directors have a material

## LETTER FROM THE BOARD

interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the relevant board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

### **(9) INTENTION OF THE OFFEROR REGARDING THE TARGET GROUP**

Following the close of the Share Offer, the Offeror intends to continue the existing principal business of the Target Group and it will maintain the listing status of the Target Company on GEM. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Target Group's business and operations to optimise the value of the Target Group.

The Offeror will conduct a review on the existing principal business and the financial position of the Target Group for the purpose of formulating business plans and strategies for the further business development of the Target Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Target Group.

Notwithstanding the above, as at the date of this circular, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Target Group and the Offeror had no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Target Group other than those in its ordinary course of business.

### **(10) PROPOSED CHANGES OF BOARD COMPOSITION OF THE TARGET COMPANY**

The Offeror nominates (1) Mr. Pang Yat Ting, Dominic, (2) Mr. Xu Jianhua, Jerry, (3) Ir Dr. Pang Yat Bond, Derrick *JP* and (4) Mr. Shea Chun Lok, Quadrant as four new executive directors of the Target Company Board with effect from the earliest time as permitted under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the GEM Listing Rules. All of the above-mentioned nominated persons are executive directors of the Company and their biographic details are set out in annual report of the Company for the year ended 31 March 2023 published on 18 July 2023.

Any changes to the Target Company Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made by Target Company as and when appropriate.

### **(11) PUBLIC FLOAT AND LISTING STATUS OF THE TARGET COMPANY**

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Target Company, being 25% of the issued Target Company Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Target Company Shares; or

## LETTER FROM THE BOARD

- (ii) there are insufficient Target Company Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Target Company Shares.

The Offeror intends the Target Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Target Company Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Target Company Shares.

The Company considers that such steps may include but not limited to placing down of sufficient number of accepted Target Company Shares by the Offeror. No arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

### **(12) FINANCIAL IMPACT OF THE ACQUISITION**

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the financial statements of the Company. Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, details of the financial impact of the Acquisition are summarised below:

#### **Assets and liabilities**

The unaudited consolidated total assets and total liabilities of the Group as at 30 September 2023, as extracted from the interim report of the Company for the six months ended 30 September 2023 and no acceptance of the Share Offer, were approximately HK\$8.09 billion and approximately HK\$5.56 billion respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that the Completion had taken place on 30 September 2023 and no acceptance of the Share Offer, the pro forma total assets and total liabilities of the Enlarged Group would be approximately HK\$8.37 billion and approximately HK\$5.78 billion respectively.

#### **Earnings**

The audited net profit after tax of the Group for the financial year ended 31 March 2023, as disclosed in 2023 annual report of the Company was approximately HK\$129.04 million.

The audited net profit after tax of the Target Group for the financial year ended 31 December 2022, as disclosed in 2022 annual report of the Target Group was approximately HK\$21.18 million.

## LETTER FROM THE BOARD

The Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

### **Gearing**

The gearing ratio, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company as at 30 September 2023, as disclosed in 2023 interim report of the Company was 0.72.

The gearing ratio, being the total debt divided by total equity of the Target Group as at 30 June 2023, as disclosed in 2023 interim report of the Target Company was 2.53%.

Upon the Completion, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that the Completion had taken place on 30 September 2023 and no acceptance of the Share Offer, the pro forma gearing ratio, being the proportion of net interest bearing debts to equity attributable to shareholders of the Enlarged Group would be 0.72.

### **(13) LISTING RULES IMPLICATIONS TO THE COMPANY**

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the transactions are 25% or more but less than 100%, the Acquisition together with the Share Offer constitute a major transaction for the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, the Shareholders' approval for the Acquisition and the Share Offer may be obtained by way of written approval of the Shareholders in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Share Offer; and (2) the written approval of the Shareholders has been obtained from a Shareholder or a closely allied group of the Shareholders who together hold more than 50% of the voting rights of the Company at that general meeting to approve the Acquisition and the Share Offer.

The Company has obtained written approval for the Acquisition and the Share Offer in accordance with Rule 14.44 of the Listing Rules from GT Winners Limited, which is the beneficial owner of 954,604,705 Shares, representing approximately 53.44% of the entire issued share capital of the Company as at the Latest Practicable Date. No Shareholders or any of their respective close associates have any material interest in the Acquisition or the Share Offer; and therefore, none of them is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Share Offer. As such, no general meeting will be convened by the Company for the approval of the Acquisition or the Share Offer as is permitted under Rule 14.44 of the Listing Rules.

**LETTER FROM THE BOARD**

**(14) ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**ASIA ALLIED INFRASTRUCTURE  
HOLDINGS LIMITED**  
**Pang Yat Ting, Dominic**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for the three years ended 31 March 2021, 2022 and 2023 and unaudited condensed consolidated financial information for the six months ended 30 September 2023 are disclosed in the annual reports of the Company for the three years ended 31 March 2021, 2022 and 2023 and the interim report for the six months ended 30 September 2023 respectively. These annual reports and interim report of the Company have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.asiaalliedgroup.com>) respectively:

- annual report of the Company for the year ended 31 March 2021 published on 22 July 2021 (pages 132 to 297) available on:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0722/2021072200705.pdf>
- annual report of the Company for the year ended 31 March 2022 published on 20 July 2022 (pages 134 to 297) available on:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0720/2022072000614.pdf>
- annual report of the Company for the year ended 31 March 2023 published on 18 July 2023 (pages 147 to 307) available on:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0718/2023071800329.pdf>
- interim report of the Company for the six months ended 30 September 2023 published on 18 December 2023 (pages 16 to 64) available on:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1218/2023121800355.pdf>

## 2. INDEBTEDNESS AND CONTINGENT LIABILITIES OF THE ENLARGED GROUP

### Indebtedness

As at 31 December 2023, being the most recent practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following indebtedness:

	<i>Notes</i>	<b>As at 31 December 2023 HK\$'000</b>
Trust receipt loans, unsecured	<i>(i)</i>	84,406
Bank loans, secured	<i>(ii)</i>	53,527
Bank loans, unsecured	<i>(ii)</i>	2,812,126
Lease liabilities		58,768
Performance bonds		1,058,986
		<u>4,067,813</u>



*Notes:*

- (i) The trust receipts loan of the Enlarged Group carry interest at floating rates ranging from one-month HIBOR plus 1.4% to 1.65% per annum.
- (ii) The bank loans of the Enlarged Group carry interest at floating rates ranging from one-month HIBOR plus 1.3% to 2% per annum except for bank loans denominated in Singapore Dollar carry interest at fixed rates of 6.25% per annum.
- (iii) As at 31 December 2023, the following assets were pledged to secure the banking facilities granted to the Enlarged Group:

	<b>As at 31 December 2023</b> <i>HK\$'000</i>
Property, plant and equipment	38,588
Right-of-use assets	105,238
Bank deposits	39,698
Investment in an insurance contract	2,576
	186,100

In addition to the above, as at 31 December 2023, the Enlarged Group has pledged the equity interest in a wholly-owned subsidiary to secure a banking facility granted to an associate.

At 31 December 2023, a bank borrowing in the total amount of HK\$3.5 million was guaranteed by a non-controlling equity holder of a subsidiary of the Enlarged Group.

**Contingent liabilities**

As at 31 December 2023, the Enlarged Group had the following contingent liabilities:

- (i) the indemnities issued to financial institutions for performance bonds in respect of construction and professional services contracts undertaken by the subsidiaries, joint operations and a joint venture of the Enlarged Group of approximately HK\$1,059 million;
- (ii) guarantee issued to financial institutions to secure credit facilities granted to associates of approximately HK\$541 million;
- (iii) corporate guarantees were provided by the Group to two parties to indemnify them any losses and liabilities that they may incur in connection with certain construction works of the Group. In the opinion of the Directors, the financial impact of the contingent liabilities that may arise from these arrangement is assessed to be minimal; and
- (iv) The legal proceedings arose out of four sets of Sale and Purchase Agreement dated 4 August 2011 and 3 March 2012 respectively (the “SPAs”), pursuant to which the Group purchased four flat-top barges (the “Vessels”) from the plaintiff. The SPAs stipulated that the plaintiff should buy back the Vessels

from the Group in the total consideration of HK\$15,150,000 (the “**Buyback**”) after 36 months from the Vessels’ respective delivery dates (the “**Buyback Dates**”). The Buyback did not take place on the Buyback Dates nor after rounds of negotiations in 2015. In May 2018, the Group disposed of the Vessels to a third party.

In June 2021, the plaintiff commenced the legal proceedings alleging that the Group was in breach of the SPAs and claims, inter alia, for (i) loss of rental charges beyond the Buyback Dates and (ii) loss of the difference between the market price and buyback price of the Vessels.

The Group counterclaims against the plaintiff for, Inter alia, (i) the difference between the buyback prices under the SPAs and the selling price to a third party and (ii) the costs of maintaining the Vessels beyond the Buyback Dates until disposal to the third party.

The plaintiff is now claiming losses and damages in the sum of approximately HK\$9,511,000 against the Group while the Group is counterclaiming losses and damages in the sum of approximately HK\$16,985,000.

With regard to case progress, the Court has fixed the pre-trial review in May 2025 and trial in September 2025.

As advised by the legal advisers to the Group, the Group has a reasonable chance of success in defending and/or counterclaim against the plaintiff.

Save as aforesaid, the Enlarged Group did not have any other debt securities, term loans, bank loans, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 December 2023.

### **3. WORKING CAPITAL**

The Directors, after due and careful enquiry and consideration, are of the opinion that the Enlarged Group will, after taking into account the effect of the Acquisition; the cash flows generated from the operating activities of the Enlarged Group, and the financial resources available to the Enlarged Group, including existing banking and credit facilities available, have sufficient working capital for its present requirements in the next 12 months from the date of this circular in the absence of unforeseen material circumstances.

### **4. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and assets leasing, professional services (including provision of security, tunnel and other facility management services), non-franchised bus services and manufacturing of positron emission tomography radiopharmaceuticals.

The Group's provision of property management services is currently focused on the private sector in Hong Kong. The Acquisition aligns with the vision of the Group to expand into market of public sector and diversifying its client portfolio. As announced in the Chief Executive's 2023 Policy Address, the Government is providing additional 410,000 public housing units in the coming 10 years, the Directors are optimistic that the said growth will benefit the Enlarged Group's property management business and expect that the profits achieved by the Target Group will bring in positive contributions to the earnings and cash flow of the Enlarged Group.

The success of the Enlarged Group's property management services provision will also depend on other factors such as recruitment and retention of suitable talent, the use of technologies which may enhance quality services and efficiency, the effectiveness of communications with the client and the property occupiers, the level of competition, and future changes in the regulatory regime relevant to property management.

The Target Group will continue to participate in the tenders conducted by the Housing Authority from time to time with a view to obtaining new property management, security and cleaning services contracts for public and subsidised housing. Materialising the synergy achieved through the Acquisition, the existing Group and the Target Group may share experience, expertise and resources in order to grow the number of contracts awarded by the Housing Authority, increase the Enlarged Group's profits and also further enhance the quality and efficiency of the services provided to the public sector in Hong Kong.

Details of the audited consolidated financial information of the Target Group for the three years ended 31 December 2020, 2021 and 2022, unaudited condensed consolidated financial information for the six months ended 30 June 2023 and the unaudited condensed consolidated result for the nine months ended 30 September 2023 are disclosed in the annual reports of the Target Company for the three years ended 31 December 2020, 2021 and 2022, the interim report of the Target Company for the six months ended 30 June 2023 and the third quarterly report for the nine months ended 30 September 2023, respectively.

These annual reports, interim report and the third quarterly report of the Target Group have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Target Group (<https://www.modernliving.com.hk/en/index.php>) respectively:

- annual report of the Target Company for the year ended 31 December 2020 published on 31 March 2021 (pages 38 to 78) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033101062.pdf>
- annual report of the Target Company for the year ended 31 December 2021 published on 30 March 2022 (pages 38 to 84) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033001187.pdf>
- annual report of the Target Company for the year ended 31 December 2022 published on 30 March 2023 (pages 37 to 83) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001000.pdf>
- interim report of the Target Company for the six months ended 30 June 2023 published on 10 August 2023 (pages 5 to 18) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0810/2023081000918.pdf>
- third quarterly report of the Target Company for the nine months ended 30 September 2023 published on 14 November 2023 (pages 3 to 9) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1114/2023111400521.pdf>

The management discussion and analysis of the Target Group's business and performance for the three years ended 31 December 2020, 2021 and 2022, for the six months ended 30 June 2023 and for the nine months ended 30 September 2023 are disclosed in the annual reports of the Target Company for the three years ended 31 December 2020, 2021 and 2022, the interim report of the Target Company for the six months ended 30 June 2023 and the third quarterly report for the nine months ended 30 September 2023, respectively.

These annual reports, interim report and the third quarterly report of the Target Group have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Target Group (<https://www.modernliving.com.hk/en/index.php>) respectively:

- annual report of the Target Company for the year ended 31 December 2020 published on 31 March 2021 (pages 4 to 9) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033101062.pdf>
- annual report of the Target Company for the year ended 31 December 2021 published on 30 March 2022 (pages 4 to 8) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033001187.pdf>
- annual report of the Target Company for the year ended 31 December 2022 published on 30 March 2023 (pages 4 to 8) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001000.pdf>
- interim report of the Target Company for the six months ended 30 June 2023 published on 10 August 2023 (pages 19 to 20) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0810/2023081000918.pdf>
- third quarterly report of the Target Company for the nine months ended 30 September 2023 published on 14 November 2023 (page 10) available on:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1114/2023111400521.pdf>

**A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Board of Directors of Asia Allied Infrastructure Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia Allied Infrastructure Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2023 and the related notes set out in pages IV-5 to IV-10 to the circular dated 23 February 2024 issued by the Company (the “**Circular**”) (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact acquisition of Modern Living Investments Holdings Limited and its subsidiaries (collectively the “**Target Group**”) (the “**Acquisition**”) on the Group's financial position as at 30 September 2023 as if the Acquisition had taken place on 30 September 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim financial information for the six months ended 30 September 2023 on which no review report has been published.

**Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our independence and quality management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Reporting Accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
23 February 2024



**B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

In connection with the acquisition of the 59.23% equity interests in the Target Company by the Group (the “**Acquisition**”), pursuant to Rule 26.1 of the Takeovers Code, immediately following the Acquisition, the Offeror is required to make a mandatory unconditional cash offer for all the issued Target Company Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Details of the Acquisition and the Share Offer are set out in the “Letter from the Board” contained in this circular. The unaudited pro forma financial information presented below is prepared to illustrate the effect of the Acquisition and the Share Offer on the financial information of the Group as if the Acquisition and the Share Offer had taken place on 30 September 2023 and based on the following scenarios:

- (i) the Group holds 59.23% of the issued capital of Target Company after the Acquisition and no acceptance of the Share Offer; or
- (ii) the Group holds 90% of the issued capital of Target Company after the Acquisition and full acceptance of the Share Offer (without taking into accounts the Target Company Shares that will be placed down by the Offeror to maintain for minimum public float of 25%).

The unaudited pro forma financial information of the Enlarged Group is prepared based on (i) the information on the unaudited condensed consolidated interim financial information of the Group as at 30 September 2023 which has been extracted from the published interim report of the Group for the six months ended 30 September 2023; and (ii) the unaudited condensed consolidated financial information for the six months ended 30 June 2023 which has been extracted from the published interim report of the Target Group.

The unaudited pro forma financial information of the Group has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the financial position of the Group as if the Acquisition had taken place on 30 September 2023 after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Acquisitions that are factually supportable, is summarised in the accompanying notes.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Group would have been upon completion of the Acquisition in any future periods or on any future dates.

Accordingly, it does not purport to describe the financial position of the Group that would have been attained had the Acquisition been completed on 30 September 2023, nor to predict the future financial position of the Group.

The unaudited pro forma financial information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Group, as set out in Appendix II and Appendix III to this circular, and other financial information included elsewhere in this circular.

(i) **Assuming the Group holds 59.23% of the issued capital of the Target Company after the Acquisition and no acceptance of the Share Offer**

**The Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 September 2023**

	The Group as at 30 September 2023 HK\$'000 (Note 1) (Unaudited)	Pro forma adjustment		The Enlarged Group HK\$'000
		The Target Group as at 30 June 2023 HK\$'000 (Note 2) (Unaudited)	Other adjustments HK\$'000      HK\$'000 (Note 3)      (Note 4)	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	227,979	1,219		229,198
Right-of-use assets	159,613	1,938		161,551
Goodwill	92,427	—	70,288	162,715
Intangible assets	1,728	—		1,728
Investments in joint ventures	3,133	—		3,133
Investments in associates	521,921	—		521,921
Land held for property development	164,616	—		164,616
Deferred tax assets	2,500	—		2,500
Investment in an insurance contract	—	2,545		2,545
Retention money receivables	—	2,871		2,871
<b>Total non-current assets</b>	<b>1,173,917</b>	<b>8,573</b>		<b>1,252,778</b>
<b>CURRENT ASSETS</b>				
Land held for property development	41,622	—		41,622
Inventories	3,117	—		3,117
Contract assets	4,021,488	16,583		4,038,071
Trade receivables	864,393	54,196		918,589
Prepayments, deposits and other receivables	917,713	4,367		922,080
Income tax recoverable	31,013	—		31,013
Equity investments at fair value through profit or loss	8,130	—		8,130
Restricted cash and pledged deposits	148	34,600		34,748
Cash and cash equivalents	1,024,663	95,896		1,120,559
	<b>6,912,287</b>	<b>205,642</b>		<b>7,117,929</b>

	The Group as at 30 September 2023 HK\$'000 (Note 1) (Unaudited)	Pro forma adjustment		The Enlarged Group HK\$'000
		The Target Group as at 30 June 2023 HK\$'000 (Note 2) (Unaudited)	Other adjustments HK\$'000      HK\$'000 (Note 3)      (Note 4)	
<b>CURRENT LIABILITIES</b>				
Trade payables	1,499,281	138		1,499,419
Contract liabilities	212,246	—		212,246
Other payables and accruals	943,799	46,772	6,737	997,308
Bank borrowings	639,836	2,433		642,269
Lease liabilities	30,499	522		31,021
Income tax payables	96,154	1,563		97,717
Contingent consideration payable	—	—	29,000	29,000
<b>Total current liabilities</b>	<b>3,421,815</b>	<b>51,428</b>		<b>3,508,980</b>
<b>Net current assets</b>	<b>3,490,472</b>	<b>154,214</b>		<b>3,608,949</b>
<b>Total assets less current liabilities</b>	<b>4,664,389</b>	<b>162,787</b>		<b>4,861,727</b>
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings	2,112,022	—	136,855	2,248,877
Lease liabilities	22,520	1,123		23,643
Deferred tax liabilities	1,601	315		1,916
<b>Total non-current liabilities</b>	<b>2,136,143</b>	<b>1,438</b>		<b>2,274,436</b>
<b>Net assets</b>	<b>2,528,246</b>	<b>161,349</b>		<b>2,587,291</b>
<b>Equity</b>				
<b>Equity attributable to shareholders of the Company</b>				
Issued capital	179,156	8,000	(8,000)	179,156
Reserves	2,298,192	153,349	(153,349)	2,291,455
	2,477,348	161,349		2,470,611
Non-controlling interests	50,898	—	65,782	116,680
<b>Total equity</b>	<b>2,528,246</b>	<b>161,349</b>		<b>2,587,291</b>

*Notes:*

- The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2023 as set out in the published interim report of the Group for the six months ended 30 September 2023.

2. The amounts are extracted from the unaudited consolidated statement of financial position of the Target Group as at 30 June 2023 as set out in the published interim report of the Target Group for the six months ended 30 June 2023.
3. The adjustment represents the inclusion of identifiable assets and liabilities of the Target Group to be acquired by the Group assuming the Acquisition was completed on 30 September 2023. Upon Completion, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” (“HKFRS 3”).

The excess of the consideration over the fair value of the net identifiable assets of the Target Group acquired is recorded as goodwill in accordance with HKFRS 3. Assuming the Acquisition was completed on 30 September 2023, goodwill arising from the Acquisition is calculated as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration		
— Initial Consideration	<i>(a)</i>	136,855
— Deferred Consideration	<i>(a)</i>	<u>29,000</u>
		----- 165,855
Net identifiable assets acquired	<i>(b)</i>	161,349
Less: non-controlling interest		<u>(65,782)</u>
		----- 95,567
Goodwill arising from the Acquisition		<u><u>70,288</u></u>

- (a) For the purpose of the unaudited pro forma consolidated statement of financial position, it is assumed that there are no downward adjustments on the Consideration and the discounting impact of the contractual cash flow of the Deferred Consideration is considered as immaterial based on the prevailing market interest rate. Therefore the maximum sum of the Consideration would be settled by bank borrowings or internal resources in accordance with the agreed schedule as set out in this circular.
  - (b) For the purpose of the unaudited pro forma consolidated statement of financial position, the completion of the Acquisition is assumed to be on 30 September 2023. However, the purchase price allocation exercise is in progress and will be completed upon the fulfilment of the condition precedents. The fair value of the identifiable net assets and liabilities of the Target Group as at the date of the Completion may be different from their carrying amounts used in the preparation of the unaudited pro forma financial information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Enlarged Group upon Completion may be different from the carrying amounts shown in this appendix.
4. The adjustment represents estimated direct legal and professional costs related to the Acquisition, amounts to approximately HK\$6,737,000.
  5. Save as set out above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group subsequent to 30 September 2023 and the Target Group subsequent to 30 June 2023.

- (ii) the Group holds 90% of the issued capital of the Target Company after the Acquisition and full acceptance of the Share Offer (without taking into accounts the Target Company Shares that will be placed down by the Offeror to maintain for minimum public float of 25%)

**The Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 September 2023**

	The Group as at 30 September 2023 HK\$'000 (Note 1) (Unaudited)	Pro forma adjustment		The Enlarged Group HK\$'000
		The Target Group as at 30 June 2023 HK\$'000 (Note 2) (Unaudited)	Other adjustments HK\$'000 (Note 3)	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	227,979	1,219		229,198
Right-of-use assets	159,613	1,938		161,551
Goodwill	92,427	—	106,786	199,213
Intangible assets	1,728	—		1,728
Investments in joint ventures	3,133	—		3,133
Investments in associates	521,921	—		521,921
Land held for property development	164,616	—		164,616
Deferred tax assets	2,500	—		2,500
Investment in an insurance contract	—	2,545		2,545
Retention money receivables	—	2,871		2,871
<b>Total non-current assets</b>	<b>1,173,917</b>	<b>8,573</b>		<b>1,289,276</b>
<b>CURRENT ASSETS</b>				
Land held for property development	41,622	—		41,622
Inventories	3,117	—		3,117
Contract assets	4,021,488	16,583		4,038,071
Trade receivables	864,393	54,196		918,589
Prepayments, deposits and other receivables	917,713	4,367		922,080
Income tax recoverable	31,013	—		31,013
Equity investments at fair value through profit or loss	8,130	—		8,130
Restricted cash and pledged deposits	148	34,600		34,748
Cash and cash equivalents	1,024,663	95,896		1,120,559
	<b>6,912,287</b>	<b>205,642</b>		<b>7,117,929</b>

	The Group as at 30 September 2023 HK\$'000 (Note 1) (Unaudited)	Pro forma adjustment		The Enlarged Group HK\$'000
		The Target Group as at 30 June 2023 HK\$'000 (Note 2) (Unaudited)	Other adjustments HK\$'000      HK\$'000 (Note 3)      (Note 4)	
<b>CURRENT LIABILITIES</b>				
Trade payables	1,499,281	138		1,499,419
Contract liabilities	212,246	—		212,246
Other payables and accruals	943,799	46,772	7,037	997,608
Bank borrowings	639,836	2,433		642,269
Lease liabilities	30,499	522		31,021
Income tax payables	96,154	1,563		97,717
Contingent consideration payable	—	—	29,000	29,000
<b>Total current liabilities</b>	<u>3,421,815</u>	<u>51,428</u>		<u>3,509,280</u>
<b>Net current assets</b>	<u>3,490,472</u>	<u>154,214</u>		<u>3,608,649</u>
<b>Total assets less current liabilities</b>	<u>4,664,389</u>	<u>162,787</u>		<u>4,897,925</u>
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings	2,112,022	—	223,000	2,335,022
Lease liabilities	22,520	1,123		23,643
Deferred tax liabilities	1,601	315		1,916
<b>Total non-current liabilities</b>	<u>2,136,143</u>	<u>1,438</u>		<u>2,360,581</u>
<b>Net assets</b>	<u>2,528,246</u>	<u>161,349</u>		<u>2,537,344</u>
<b>Equity</b>				
<b>Equity attributable to shareholders of the Company</b>				
Issued capital	179,156	8,000	(8,000)	179,156
Reserves	<u>2,298,192</u>	<u>153,349</u>	(153,349)      (7,037)	<u>2,291,155</u>
	2,477,348	161,349		2,470,311
Non-controlling interests	<u>50,898</u>	—	16,135	<u>67,033</u>
<b>Total Equity</b>	<u>2,528,246</u>	<u>161,349</u>		<u>2,537,344</u>

*Notes:*

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2023 as set out in the published interim report of the Group for the six months ended 30 September 2023.
2. The amounts are extracted from the unaudited consolidated statement of financial position of the Target Group as at 30 June 2023 as set out in the published interim report of the Target Group for the six months ended 30 June 2023.
3. The adjustment represents the inclusion of identifiable assets and liabilities of the Target Group to be acquired by the Group assuming the Acquisition was completed on 30 September 2023. Upon Completion, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” (“HKFRS 3”).

The excess of the consideration over the fair value of the net identifiable assets of the Target Group acquired is recorded as goodwill in accordance with HKFRS 3. Assuming the Acquisition was completed on 30 September 2023, goodwill arising from the Acquisition is calculated as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration		
— Initial Consideration	<i>(a)</i>	223,000
— Deferred Consideration	<i>(a)</i>	<u>29,000</u>
		----- 252,000
Net identifiable assets acquired	<i>(b)</i>	161,349
Less: non-controlling interest		<u>(16,135)</u>
		----- 145,214
Goodwill arising from the Acquisition		<u><u>106,786</u></u>

- (a) For the purpose of the unaudited pro forma consolidated statement of financial position, it is assumed that there are no downward adjustments on the Consideration and the discounting impact of the contractual cash flow of the Deferred Consideration is considered as immaterial based on the prevailing market interest rate. Therefore the maximum sum of the Consideration would be settled by bank borrowings or internal resources in accordance with the agreed schedule as set out in this circular.
  - (b) For the purpose of the unaudited pro forma consolidated statement of financial position, the completion of the Acquisition is assumed to be on 30 September 2023. However, the purchase price allocation exercise is in progress and will be completed upon the fulfilment of the condition precedents. The fair value of the identifiable net assets and liabilities of the Target Group as at the date of the Completion may be different from their carrying amounts used in the preparation of the unaudited pro forma financial information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Enlarged Group upon Completion may be different from the carrying amounts shown in this appendix.
4. The adjustment represents estimated direct legal and professional costs related to the Acquisition and the Share Offer, amounts to approximately HK\$7,037,000.
  5. Save as set out above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group subsequent to 30 September 2023 and the Target Group subsequent to 30 June 2023.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of Directors and chief executive in Shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, were as follows:

#### *Interests and short positions in the Shares and underlying shares*

Name of Directors	Capacity/ Nature of interest	Number of ordinary shares held	Number of underlying shares held	% of the Company's issued share capital
Mr. Pang Yat Ting, Dominic	Beneficial owner <i>(Note 1)</i>	—	3,000,000 (L)	0.16% (L)
	Interests of controlled corporation <i>(Note 2)</i>	954,604,705 (L)	246,000,000 (L)	67.21% (L)
Mr. Xu Jianhua, Jerry	Beneficial owner <i>(Note 1)</i>	—	3,000,000 (L)	0.16% (L)
Ir Dr. Pang Yat Bond, Derrick	Beneficial owner <i>(Note 1)</i>	7,326,000 (L)	3,000,000 (L)	0.57% (L)



Name of Directors	Capacity/ Nature of interest	Number of ordinary shares held	Number of underlying shares held	% of the Company's issued share capital
Mr. Shea Chun Lok, Quadrant	Beneficial owner <i>(Note 1)</i>	—	3,000,000 (L)	0.16% (L)
Ms. Wong Wendy Dick Yee	Beneficial owner <i>(Note 3)</i>	—	1,000,000 (L)	0.05% (L)
	Beneficiary of a trust <i>(Note 3)</i>	166,000,000 (L)	166,000,000 (S)	9.29% (L) 9.29% (S)
Dr. Yim Yuk Lun, Stanley	Beneficial owner <i>(Note 1)</i>	—	1,000,000 (L)	0.05% (L)
	Interests of controlled corporation <i>(Note 4)</i>	80,000,000 (L)	80,000,000 (S)	4.47% (L) 4.47% (S)
Mr. Wu William Wai Leung	Beneficial owner <i>(Note 1)</i>	—	1,000,000 (L)	0.05% (L)
Mr. Lam Yau Fung, Curt	Beneficial owner <i>(Note 1)</i>	—	1,000,000 (L)	0.05% (L)
Mr. Ho Gilbert Chi Hang	Beneficial owner <i>(Note 1)</i>	—	1,000,000 (L)	0.05% (L)
Dr. Yen Gordon	Beneficial owner <i>(Note 1)</i>	—	1,000,000 (L)	0.05% (L)
	Interests of controlled corporation <i>(Note 5)</i>	1,200,000 (L)	—	0.07% (L)

(L): Long Position

(S): Short Position

*Notes:*

1. The underlying shares of the Company held by the Directors are share options granted pursuant to the share option scheme adopted by the Company.
2. GT Winners Limited (“**GT Winners**”) was owned as to 45% by Mr. Pang Yat Ting, Dominic and 45% by Madam Li Wai Hang, Christina. By virtue of the SFO, each of them was deemed to be interested in the ordinary Shares/underlying shares of the Company in which GT Winners had interest or was deemed to have interest. The details of such interests of GT Winners and Madam Li Wai Hang, Christina are set out in the following section headed “Interests and short positions of substantial shareholders in Shares and underlying shares”.
3. The Shares were beneficially owned by Best Manage Holdings Limited (“**Best Manage**”). Best Manage was wholly owned by Brite-Tech Research Company Limited (“**Brite-Tech**”) which was in turn wholly owned by Surplus Assets Limited (“**Surplus Assets**”). Surplus Assets was wholly owned by Credit Suisse Trust Limited (“**Credit Suisse**”) as the trustee of The Allan Wong 2011 Trust, a discretionary trust of which Ms. Wong Wendy Dick Yee was one of the beneficiaries. She also was one of the directors of Best Manage. By virtue of the SFO, Ms. Wong Wendy Dick Yee was deemed to be interested in the ordinary Shares/underlying shares of the Company in which Best Manage had interest or was deemed to have interest.
4. The Shares were beneficially owned by S.A.S. Investment Company Limited, a wholly owned subsidiary of S.A.S. Dragon Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01184), in which Dr. Yim Yuk Lun, Stanley was a director and owned 54.7% interest. By virtue of the SFO, Dr. Yim Yuk Lun, Stanley was deemed to be interested in such Shares.
5. The Shares were held by Oakland Capital Limited, a company controlled by Dr. Yen Gordon. By virtue of the SFO, Dr. Yen Gordon was deemed to be interested in such Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

**(b) Interests and short positions of substantial shareholders in Shares and underlying shares**

As at the Latest Practicable Date, so far as was known to the Directors of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholders	Capacity	Number of ordinary shares held	Number of underlying shares held	% of the Company's issued share capital
GT Winners	Beneficial owner (Note 1)	954,604,705 (L)	246,000,000 (L)	67.21% (L)
Madam Li Wai Hang, Christina	Beneficial owner (Note 2)	11,294,875 (L)	2,000,000 (L)	0.74% (L)
	Interests of controlled corporation (Note 1)	954,604,705 (L)	246,000,000 (L)	67.21% (L)
Best Manage	Beneficial owner (Note 3)	166,000,000 (L)	166,000,000 (S)	9.29% (L)
				9.29% (S)
Brite-Tech	Interests of controlled corporation (Note 3)	166,000,000 (L)	166,000,000 (S)	9.29% (L)
				9.29% (S)
Surplus Assets	Interests of controlled corporation (Note 3)	166,000,000 (L)	166,000,000 (S)	9.29% (L)
				9.29% (S)
Credit Suisse	Trustee (Note 3)	166,000,000 (L)	166,000,000 (S)	9.29% (L)
				9.29% (S)

(L): Long Position

(S): Short Position

*Notes:*

- These represent (i) a beneficial interest in 954,604,705 ordinary shares of the Company, representing approximately 53.44% of the issued share capital of the Company; and (ii) a beneficial interest in 246,000,000 underlying shares of the Company pursuant to certain call and/or option deeds, representing approximately 13.77% of the issued share capital of the Company, directly held by GT Winners. The detail of such interest in GT Winners of Madam Li Wai Hang, Christina is set out in the above section headed "Interests and short positions of Directors and chief executive in Shares, underlying shares and debentures".

2. The underlying shares of the Company held by Madam Li Wai Hang, Christina are share options granted pursuant to the share option scheme adopted by the Company.
3. The details of such interests of Best Manage are set out in the above section headed “Interests and short positions of Directors and chief executive in Shares, underlying shares and debentures”.

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as was known to the Directors of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **3. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which is not expiring or is not determinable within one year without payment of any compensation (other than statutory compensation).

### **4. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENTS**

As the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date, which had been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

As the Latest Practicable Date, there is no contract or arrangement entered into by a related party subsisting in which a Director is materially interested and significant in relation to the business of the Enlarged Group.

### **5. DIRECTORS' INTEREST IN COMPETING BUSINESS**

Mr. Wu William Wai Leung, the independent non-executive Director, is an independent non-executive director of JY Grandmark Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 02231), which had certain subsidiaries engaged in the property development business. The Board is of the view that Mr. Wu as an independent non-executive director of JY Grandmark Holdings Limited, is not involved in its daily operation and therefore it does not compete with the business of the Group.

Mr. Ho Gilbert Chi Hang, the independent non-executive Director, is an executive director of NWS Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00659) and a non-executive director of Wai Kee Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00610), both of which had certain subsidiaries engaged in the construction business. The Board is of the view that the construction business of both companies is similar to but in different scale and nature with that of the Group and therefore it does not compete with the business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed director nor their respective close associates (as defined in the Listing Rules) had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business.

## 6. LITIGATION

The legal proceedings arose from four sets of Sale and Purchase Agreement dated 4 August 2011 and 3 March 2012 respectively (the "SPAs"), pursuant to which the Group purchased four flat top barges (the "Vessels") from a plaintiff. The SPAs stipulated that the plaintiff should buy back the Vessels from the Group in the total consideration of HK\$15,150,000 (the "Buyback") after 36 months from the Vessels' respective delivery dates (the "Buyback Dates"). The Buyback did not take place on the Buyback Dates nor after rounds of negotiations in 2015. In May 2018, the Group disposed of the Vessels to a third party.

In June 2021, the plaintiff commenced the legal proceedings alleging that the Group was in breach of the SPAs and claims, inter alia, for (i) loss of rental charges beyond the Buyback Dates and (ii) loss of difference between the market price and the buyback price of the Vessels.

The Group counterclaims against the plaintiff for, inter alia, (i) the difference between the buyback prices under the SPAs and the selling price to the third party and (ii) the costs of maintaining the Vessels beyond the Buyback Dates until disposal to the third party.

The plaintiff is now claiming losses and damages in the sum of approximately HK\$9,511,000 against the Group while the Group is counterclaiming loss and damages in the sum of approximately HK\$16,985,000.

With regard to case progress, the Court has fixed the pre-trial review in May 2025 and trial in September 2025.

As advised by the legal advisers to the Group, the Group has a reasonable chance of success in defending and/or counterclaiming against the plaintiff.

Save as disclosed above, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, (1) no member of the Enlarged Group was engaged in any litigation or claim of material importance (other than those arising from the ordinary business of the Enlarged Group) and (2) no litigation or claim of material importance (other than those arising from the ordinary course of business of the Enlarged Group) was known to the

Directors to be pending against or threatened against any member of the Enlarged Group, both of which would have a material adverse effect on the results of operations or financial conditions of the Enlarged Group.

## 7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or maybe material:

- (a) The agreement dated 29 November 2022 entered into between an indirect wholly-owned subsidiary of the Company and Global Power International Holdings Limited in relation to the disposal of pieces of land located at Lot 437, Lot 438, Lot 439 RP & Lot 477 RP in DD77 and Lot 1235 RP in DD79 at Ping Che at a total consideration of HK\$123,198,080.
- (b) The agreement dated 30 January 2023 entered into between the Company and Fung Shing Steel Company Limited in relation to the disposal of piece of land located at section G of Lot 612 in DD 85 at Lau Shui Heung at a total consideration of HK\$93,750,000.

## 8. QUALIFICATIONS AND CONSENTS OF THE EXPERTS

The following is the qualification of the experts which have given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any asset which has been acquired, or disposed of by, or leased to, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2023, being the date to which the latest published audited financial statement of the Group were made up.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at C1, 5th Floor, Hong Kong Spinners Industrial Building Phase 1, 601–603 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at 4th Floor, North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The company secretary of the Company is Mr. Shea Chun Lok, Quadrant. He is a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. He is also a Certified Tax Adviser of Hong Kong and obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau.
- (f) It is expected that there will be no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Target Company as a consequence of the Acquisition.
- (g) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.asiaalliedgroup.com](http://www.asiaalliedgroup.com)) for a period of 14 days from the date of this circular:

- (i) the Sale and Purchase Agreement;
- (ii) written resolutions passed by GT Winners Limited on 26 January 2024 for approving the Acquisition;

- (iii) the Letter from the Board, the text of which is set out in “Letter from the Board” in this circular;
- (iv) the annual reports of the Target Group, the text of which is set out in Appendix II to this circular;
- (v) the report on the unaudited pro forma financial information of the Enlarged Group issued by Ernst & Young, the text of which is set out in Appendix IV to this circular;
- (vi) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix;
- (vii) the written consents as referred to in the section headed “8. Qualifications and consents of experts” in this Appendix; and
- (viii) this circular.