



**MERDEKA CORPORATE FINANCE LIMITED**

**领智企业融资有限公司**

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7 November 2025

*To: The Independent Board Committee of GC Construction Holdings Limited*

Dear Sirs or Madams,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY QUAM SECURITIES LIMITED FOR AND ON BEHALF OF JUMBO  
FLAGS CAPITAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES  
OF GC CONSTRUCTION HOLDINGS LIMITED (OTHER THAN THOSE  
SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
JUMBO FLAGS CAPITAL LIMITED AND PARTIES ACTING IN  
CONCERT WITH IT)**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the composite offer and response document dated 7 November 2025 (the “**Composite Document**”) jointly issued by Jumbo Flags Capital Limited (the “**Offeror**”) and GC Construction Holdings Limited (the “**Company**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in this Composite Document unless the context requires otherwise.

As disclosed in the Joint Announcement, on 22 September 2025 (after trading hours), the Vendor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 728,880,000 Shares, representing approximately 72.89% of the total issued share capital of the Company as at the Latest Practicable Date, free from all encumbrances, for a total cash Consideration of HK\$122,455,200. Completion took place on the Completion Date, being 23 September 2025.

Immediately after Completion and as at the Latest Practicable Date, the Offeror, Mr. Gan, and parties acting in concert with any of them are interested in an aggregate of 728,880,000 Shares, representing approximately 72.89% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer will be made to the Independent Shareholders.

As at the Latest Practicable Date, the Company has 1,000,000,000 Shares in issue and the Company has no other outstanding Shares, options, derivatives, warrants or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

## **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Huang Hong, Mr. Yu Chi Wing, Dr. Lo Ki Chiu and Dr. Luk Che Chung, *JP*, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Offer is fair and reasonable and as to acceptance so far as the Independent Shareholders are concerned, and such appointment has been approved by the Independent Board Committee.

## **OUR INDEPENDENCE**

We, Merdeka Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Merdeka Corporate Finance Limited as the Independent Financial Adviser has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee as to (i) whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

We are independent of and not connected with the Company, the Offeror, the Vendor, Mr. KS Chan, Mr. WP Chan, Mr. Gan, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Merdeka Corporate Finance Limited and the Group or the Offeror. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

## **BASIS OF OUR ADVICE**

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions, and representations contained in or referred to in this Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual reports of the Company for the year ended 31 March 2024 (the “**2023/24 Annual Report**”) and 2025 (the “**2024/25 Annual Report**”), this Composite Document, relevant announcements published by the Company, the industry trends of the Group’s principal business, the historical Share price performance and the trading liquidity of the Company, and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this Composite Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in this Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Directors and the Management in this Composite Document were reasonably made after due enquiries and careful consideration.

The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in this Composite Document, including this letter, misleading.

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

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the Offer, and except for its inclusion in this Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offer, we have considered the principal factors and reasons as set out below:

### **1. Background information on the Group**

#### ***1.1 Principal business***

As set out in the Board Letter, the Company was incorporated in the Cayman Islands with limited liability and its issued shares are listed on the Main Board of the Stock Exchange. The Company is principally engaged in investment holding. The Group is a wet trades contractor in Hong Kong and construction subcontractor in Cambodia. The wet trades works performed by the Group mainly included plastering, tile laying, brick laying, floor screeding and marble works.

## 1.2 Historical financial information

Set out below is a summary of the audited consolidated results of the Group for the year ended 31 March 2023 (“FY2022/23”), 2024 (“FY2023/24”), and 2025 (“FY2024/25”) as extracted from the 2023/24 Annual Report and 2024/25 Annual Report, respectively. As referred to the 2024/25 Annual Report, over 95% of the Group’s revenue is from external customers located in Hong Kong during FY2024/25.

	For the years ended 31 March		
	2025	2024	2023
	HK\$'000 <i>Audited</i>	HK\$'000 <i>Audited</i>	HK\$'000 <i>Audited</i>
Revenue	530,657	585,170	541,648
– Wet trades work	508,479	585,170	541,648
– Construction work ( <i>Note</i> )	22,178	–	–
Cost of services	(528,535)	(543,327)	(476,127)
Gross profit	2,122	41,843	65,521
Operating (loss)/profit	(53,887)	20,587	56,269
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	(53,471)	19,069	49,328

*Note:* The Group commenced the provision of construction work service in Cambodia since the 4th quarter of 2024.

	As at 31 March		
	2025	2024	2023
	HK\$'000 <i>Audited</i>	HK\$'000 <i>Audited</i>	HK\$'000 <i>Audited</i>
Total assets	321,060	384,588	358,327
Total liabilities	48,712	58,769	51,577
Net assets	272,348	325,819	306,750

### *For the years ended 31 March 2024 and 2025*

The revenue decreased from approximately HK\$585.2 million for the year ended 31 March 2024 to approximately HK\$530.7 million for the year ended 31 March 2025, representing a decrease of approximately HK\$54.5 million or 9.3%. The decrease in revenue was mainly driven by the decrease in the number of projects awarded during the year ended 31 March 2025. We discussed with the Management and were advised that such decrease was primarily attributable to the Group’s more prudent approach towards new projects and its preference for collaborating with reputable contractors or existing contractors with a proven track record, with the intention to enhance project quality control and to minimise the risk of payment delays.

The cost of services decreased from approximately HK\$543.3 million for the year ended 31 March 2024 to approximately HK\$528.5 million for the year ended 31 March 2025, representing a decrease of approximately HK\$14.8 million or 2.7%. The decrease in the cost of services was caused by the decrease in the number of projects awarded during the year ended 31 March 2025.

The gross profit decreased from approximately HK\$41.8 million for the year ended 31 March 2024 to approximately HK\$2.1 million for the year ended 31 March 2025, representing a decrease of approximately HK\$39.7 million. The decrease in gross profit was primarily attributable to the volatility of the real estate market in Hong Kong. The instability in property prices has adversely affected (i) the deteriorated gross profit margin of the new awarded wet trade works; (ii) the delay of work progress and unexpected changes in request of the work by the customers incurred additional construction cost; and (iii) the tight budget affected the certified amount of work done from the customers.

The Group recorded the profit and total comprehensive income of approximately HK\$19.1 million for the year ended 31 March 2024, and it turned to the loss and total comprehensive expense of approximately HK\$53.5 million for the year ended 31 March 2025. Such change was mainly driven by the decrease in gross profit and increase in impairment losses on trade receivables and contract assets as mentioned above

As at 31 March 2025, the Group's total assets were approximately HK\$321.1 million, reflecting a decrease of about 16.5% compared to approximately HK\$384.6 million as at 31 March 2024. The Group's total liabilities stood at approximately HK\$48.7 million as at 31 March 2025, representing a decrease of approximately 17.1% as compared to HK\$58.8 million as at 31 March 2024. The net assets decreased by approximately 16.4% from approximately HK\$325.82 million as at 31 March 2024 to approximately HK\$272.34 million as at 31 March 2025.

***For the years ended 31 March 2023 and 2024***

The revenue increased from approximately HK\$541.6 million for the year ended 31 March 2023 to approximately HK\$585.2 million for the year ended 31 March 2024, representing an increase of approximately HK\$43.5 million or 8.0%. The increase in revenue was mainly driven by the increase in the amount of works performed by the Group in some of the ongoing sizeable projects, including the redevelopment projects at Kwai Chung Hospital, projects related to the Kai Tak Development, projects related to the LOHAS Park Development, a residential project in Tai Wo Ping and a residential project in Kam Sheung Road.

The cost of services increased from approximately HK\$476.1 million for the year ended 31 March 2023 to approximately HK\$543.3 million for the year ended 31 March 2024, representing an increase of approximately HK\$67.2 million or 14.1%. The increase in cost of services was caused by the increase in the amount of works performed by the Group.

The gross profit decreased from approximately HK\$65.5 million for the year ended 31 March 2023 to approximately HK\$41.8 million for the year ended 31 March 2024, representing a decrease of approximately HK\$23.7 million or 36.1%. The decrease in gross profit was primarily attributable to the volatility of the real estate market. The instability in property prices has adversely affected the gross margin of the wet trade works.

The profit and total comprehensive income for the year decreased from approximately HK\$49.3 million for the year ended 31 March 2023 to approximately HK\$19.1 million for the year ended 31 March 2024, representing decrease of approximately HK\$30.3 million or 61.3%. Such decrease was mainly driven by the decrease in gross profit and other income.

As at 31 March 2024, the Group's total assets were approximately HK\$384.6 million, reflecting an increase of about 7.3% compared to approximately HK\$358.3 million as at 31 March 2023. The Group's total liabilities stood at approximately HK\$58.8 million as at 31 March 2025, representing an increase of approximately 13.9% as compared to HK\$51.6 million as at 31 March 2023. The net assets increased by approximately 6.2% from approximately HK\$306.8 million as at 31 March 2023 to approximately HK\$325.8 million as at 31 March 2025.

In general, the financial performance of the Company has been deteriorating since FY2023, with a decreasing gross profit recorded by the Group during the period and the turnaround in operating profit for FY2023 and FY2024 to an operating loss for FY2025, due to the volatility of the real estate market in Hong Kong, which affects the profitability of the projects as described above. We meanwhile noted that despite such adverse circumstances, the Group has adopted a more prudent approach when selecting new projects to minimize the risk of payment delay and enhance project quality.

## **2. Background and intention of the Offeror**

### ***2.1 Background information on the Offeror***

The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Offeror is wholly and beneficially owned by Mr. Gan as at the Latest Practicable Date.

Mr. Gan, aged 51, is a seasoned corporate executive with extensive experience in corporate leadership, specialising in the areas of business consultancy and investment. He is the chairman of the board of directors of GM Vision Investment Co., Limited, a Cambodia-based company principally engaged in land investment and providing consultancy services related to investments in Cambodia.

Mr. Gan has around 8 years' experience in land investment in Cambodia. With such experience in land investment and track record of operating businesses in Cambodia, Mr. Gan has provided consultancy service for setting up of company, licensing and taxation, etc. for companies who has participated and/or would like to participate in the Cambodian market since 2022. As a chairman of the board of directors of GM Vision Investment Co., Limited, Mr. Gan also possesses managerial acumen, overseeing company operations and formulating strategic business initiatives.

As the Group undertakes construction project in Cambodia, Mr. Gan's profound knowledge, business expertise and established network in land investment and consultancy services in Cambodia are expected to provide valuable complementary expertise, resources and customer networks to enhance the Group's existing operations in Cambodia.

## ***2.2 Intention of the Offeror in relation to the Group***

As stated in the "Letter from Quam Securities", following the close of the Offer, the Offeror intends that the Group will continue the principal business of the Group and will maintain the listing status of the Company. The Offeror will conduct a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement to downsize, cease or dispose of any of the existing businesses of the Group.

Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund-raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, no investment or business opportunity has been identified nor have the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

As at the Latest Practicable Date, the Board is comprised of three executive Directors and four independent non-executive Directors. The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate).

The Offeror intends to nominate new director(s) to the Board with effect from a date which is no earlier than such date as permitted under the Listing Rules and the Takeovers Code or such later date as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror has not identified any potential candidates to nominate as new director(s) to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) make material changes to the employment of the management and employees of the Group; and (ii) dispose of or redeploy the assets of the Group other than those in its ordinary and usual course of business.



### 3. Prospects and outlook of the Group

As detailed in the section headed “1.2 Information on the Group” above, significant portion (i.e. over 95%) of the Group’s total revenue is derived from the provision of construction services (i.e. wet trade work and construction work) in both private and public sectors in Hong Kong.

According to the 2025 Policy Address<sup>1</sup> announced in September 2025, the Hong Kong government laid out a number of initiatives specifically targeted at housing and property markets, including but not limited to (i) overall public housing production in the next five years to reach 189 000 units; (ii) completing 30,000 Light Public Housing units by the first half of 2027; and (iii) enriching the housing ladder via adjustment on the following items including but not limited to (a) increasing the quota ratio between Green Form and White Form; (b) increasing the quota of the White Form Secondary Market Scheme; and (c) relaxing alienation restriction periods. In addition, the 2025 Policy Address mentioned accelerating the development of the Northern Metropolis. It is expected that the planned increase in public housing output, together with the accelerated delivery of Light Public Housing and ongoing large-scale developments such as the Northern Metropolis, will create sustained demand for construction, engineering, and related professional services.

Additionally, according to the Hong Kong Property Review 2025<sup>2</sup> published in April 2025 by the Rating and Valuation Department (“RVD”), the private domestic property market recorded a notable rebound in completions in 2024, with 24,261 units completed, representing an increase of about 75% compared with 2023. Of these, around 48% were located in the New Territories, 45% in Kowloon and 7% on Hong Kong Island. Take-up of private domestic units amounted to approximately 17,310 units during 2024, up by around 10% year-on-year, while the overall vacancy rate rose modestly to about 4.5% (equivalent to approximately 57,900 units) at year-end. The RVD forecasts that completions will moderate to about 20,862 units in 2025 and further to 20,098 units in 2026, indicating that the surge in new supply in 2024 may not be sustained in the short term.

Moreover, based on the private domestic property price indices by class (territory-wide)<sup>3</sup> published by the RVD, the private domestic property price index (all class) has shown a continuous decline in recent years, falling from 385.5 in the first quarter of 2021 to 286.6 in the second quarter of 2025, representing a cumulative decrease of approximately 25.6% over the period. The indices for smaller units (Classes A, B, and C) fell from 388.0 to 288.1, while those for larger units (Classes D and E) decreased from 320.6 to 261.6. The data indicate that residential property prices have continued to soften across all size categories during the period under review, suggesting a downward adjustment trend in the Hong Kong property market up to mid-2025.

The downward adjustment trend in the Hong Kong property market indicates that the property developers are expected to adopt a more cautious approach toward new project launches, which could lead to a short-term moderation in private sector construction workload, affecting contractors as well as firms engaged in architectural design, engineering consultancy, surveying, and project management services. Nevertheless, the government’s continued emphasis on public housing production and major infrastructure projects is anticipated to partially offset the softening in private-sector demand.

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<sup>1</sup> <https://www.policyaddress.gov.hk/2025/en/highlight.html>

<sup>2</sup> <https://www.rvd.gov.hk/en/publications/hkpr.html>

<sup>3</sup> [https://www.rvd.gov.hk/en/publications/property\\_market\\_statistics.html](https://www.rvd.gov.hk/en/publications/property_market_statistics.html)

Having considered the aforesaid, we are of the view that the outlook for the construction and construction services industry remains positive, supported by large-scale initiatives such as the Northern Metropolis development and the public housing programme as announced under the 2025 Policy Address, which are expected to drive sustained demand for construction and related services in the city, despite short-term pressure arising from the downward adjustment trend in the Hong Kong property market.

#### **4. Principal terms of the Offer**

Quam Securities, for and on behalf of the Offeror, is making the Offer to acquire all the Offer Shares in compliance with the Takeovers Code and on the terms set out in this Composite Document and in the Form of Acceptance on the following basis:

**Offer Price for each Offer Share ..... HK\$0.1812 in cash**

The Offer Price of HK\$0.1812 per Offer Share is equivalent to the Consideration payable by the Offeror (i.e. HK\$122,455,200) together with the interest accruing on the Remaining Consideration for a period of two years after the Completion Date (i.e.  $\text{HK\$}60,000,000 \times 8\% \times 2 = \text{HK\$}9,600,000$ ), divided by the number of the Sale Shares (i.e. 728,880,000 Shares).

The Offer is unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. The Offer is extended to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with it.

As at the Latest Practicable Date, the Company has 1,000,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

The Company confirms that, as at the Latest Practicable Date, it has not declared any dividend which is not yet paid and 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 Offer.

##### **4.1 Analysis on the Offer Price**

The Offer Price of HK\$0.1812 per Offer Share represents:

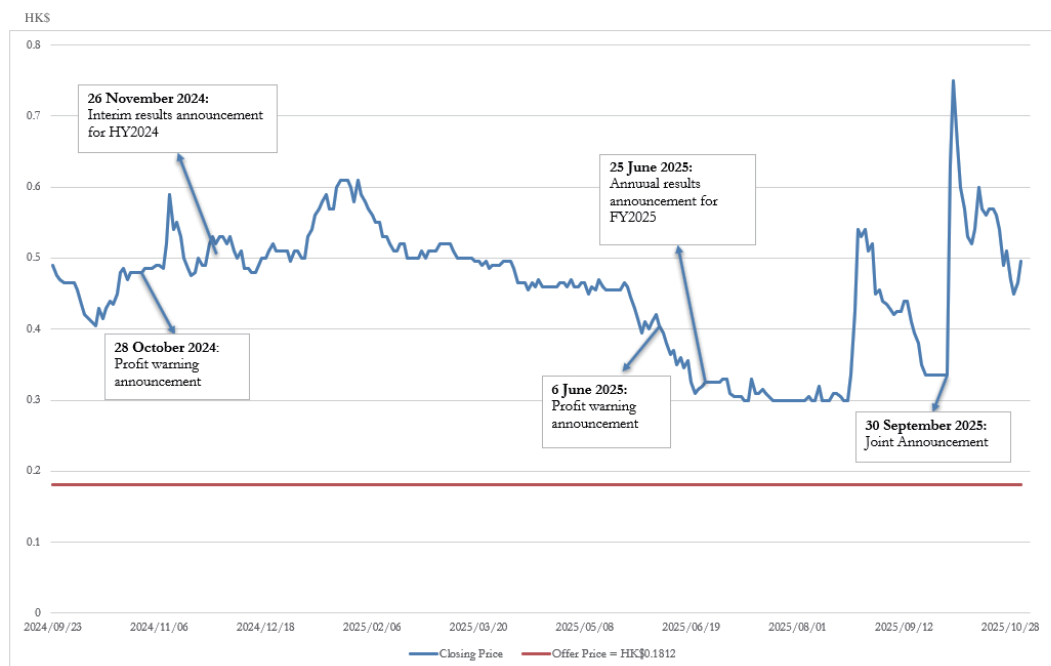
- (i) a discount of 61.45% to the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 45.91% to the closing price of HK\$0.3350 per Share as quoted on the Stock Exchange on 22 September 2025, being the Last Trading Day;

- (iii) a discount of approximately 51.55% to the average closing price of HK\$0.3740 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day (the “**5-day Average Price**”)
- (iv) a discount of approximately 54.93% to the average closing price of HK\$0.4020 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day (the “**10-day Average Price**”);
- (v) a discount of approximately 54.90% to the average closing price of approximately HK\$0.4018 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day (the “**30-day Average Price**”); and
- (vi) a discount of approximately 33.46% to the audited net asset value per Share of approximately HK\$0.2723 as at 31 March 2025, calculated based on the Group’s audited consolidated net asset value attributable to the Shareholders as at 31 March 2025 of approximately HK\$272,348,000, divided by a total of 1,000,000,000 issued Shares as at the Latest Practicable Date.

## 4.2 Historical performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 23 September 2024, being the twelve-month period prior to the Last Trading Day (i.e. 22 September 2025), up to and including the Latest Practicable Date (the “**Review Period**”):

**Share price performance during the Review Period**



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

**Note:** The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 23 September 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 2 October 2025.

We have reviewed the movements in the closing price of the Shares for the Review Period. We consider the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price.

The Shares have been trading above the Offer Price during the entire Review Period. The highest and lowest closing price of the Shares during the Review Period were HK\$0.75 per Share recorded on 3 October 2025 and HK\$0.30 per Share recorded various dates, including the period from 23 July to 5 August 2025, as well as on 11 and 14 July 2025 and 7, 8, 12 to 14, 20 and 21 August 2025, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Review Period is approximately HK\$0.456 per Share. The Offer Price of HK\$0.1812 per Share represents (i) a discount of approximately 75.84% to the highest closing price of HK\$0.75 per Share; (ii) a discount of approximately 39.60% to the lowest closing price of HK\$0.30 per Share; and (iii) a discount of approximately 60.27% to the average daily closing price of approximately HK\$0.456 per Share during the Review Period.

#### ***Pre-Announcement Period***

During the period under review from 23 September 2024 to 22 September 2025 (being the Last Trading Day) (the “**Pre-Announcement Period**”), the lowest closing price of the Shares during the Pre-Announcement Period was HK\$0.30 per Share recorded various dates, including the period from 23 July to 5 August 2025, as well as on 11 and 14 July 2025 and 7, 8, 12 to 14, 20 and 21 August 2025, as quoted on the Stock Exchange. The highest closing price of the Share during the Pre-Announcement Period was HK\$0.61, recorded on 21, 22, 23, and 28 January 2025. The Offer Price of HK\$0.1812 per Share represents (i) a discount of approximately 70.30% to the highest closing price of HK\$0.61 per Share; (ii) a discount of approximately 39.60% to the lowest closing price of HK\$0.30 per Share; and (iii) a discount of approximately 59.79% to the average daily closing price of approximately HK\$0.451 per Share during the Pre-Announcement Period.

As shown in the above chart, the Share price showed a generally downward trend during the Pre-Announcement Period. The Share price was HK\$0.49 on 23 September 2024 and declined steadily in the following weeks. It then fluctuated mildly and closed at HK\$0.495 on 31 December 2024. In 2025, the Share price continued to soften and reached its lowest point of HK\$0.30 on 11 July 2025. After hitting this low, the Share price remained subdued, trading within a narrow range of approximately HK\$0.30 to HK\$0.40 without showing any strong recovery. The highest and lowest closing prices during the Pre-Announcement Period were HK\$0.61 and HK\$0.30, respectively. On the Last Trading Day, the Share price closed at HK\$0.335. We have observed that the Company (i) published a profit warning announcement on 28 October 2024; (ii) announced its interim results for the six months ended 30 September 2024 on 26 November 2024; (iii) published a profit warning announcement on 6 June 2025; (iv) announced its annual results for the year ended 31 March 2025 on 26 June 2025; and (v) published the Joint Announcement on 30 September 2025. We have made inquiries with the Management and were advised that, save for the publication of announcements of the Company as described above, the Directors were not aware of any specific reasons that may have an impact on the fluctuations of Share prices during the Pre-Announcement Period.

### ***Post-Announcement Period***

During the period under review from 2 October 2025 (i.e. day of resumption of trading after publication of the Joint Announcement) up to and including the Latest Practicable Date, (the “**Post-Announcement Period**”), the Offer Price of HK\$0.1812 per Share represents (i) a discount of approximately 75.84% to the highest closing price of HK\$0.75 per Share; (ii) a discount of approximately 59.73% to the lowest closing price of HK\$0.45 per Share during the Post-Announcement Period; and (iii) a discount of approximately 67.11% to the average daily closing price of approximately HK\$0.551 per Share during the Post-Announcement Period.

Having considered: (i) a discount of approximately 61.45% to the closing price of HK\$0.47 on the Latest Practicable Date; (ii) a discount of approximately 60.27% to the average closing price of approximately HK\$0.456 during the Review Period; and (iii) the Shares have consistently traded at a price higher than the Offer Price during the entire Review Period, we are of the view that the Offer Price is unattractive and therefore not fair and not reasonable.

**Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from the closing price of the Shares after the Latest Practicable Date.**

### 4.3 Historical trading volume of the Shares

The following table sets out the historical monthly trading volumes of the Shares and the percentage of the number of Shares traded as compared to the total number of Shares in issue during the Review Period.

Month/Period	Total trading volume for month/period (number of Shares)	Number of trading days during the month (days)	Average daily trading volume for month/period (number of Shares)	Percentage of average daily trading volume to total number of the Shares in issue as at the Latest Practicable Date (Note 3)	Percentage of average daily trading volume to total number of the Shares held by public Shareholders as at the Latest Practicable Date (Note 4)
<b>2024</b>					
September 23 to 30	8,415,000	6	1,402,500	0.1403%	0.5173%
October	7,505,000	21	357,381	0.0357%	0.1318%
November	27,955,000	21	1,331,190	0.1331%	0.4910%
December	10,185,000	20	509,250	0.0509%	0.1878%
<b>2025</b>					
January	30,335,000	19	1,596,579	0.1597%	0.5889%
February	17,710,000	20	885,500	0.0886%	0.3266%
March	10,195,000	21	485,476	0.0485%	0.1791%
April	5,805,000	19	305,526	0.0306%	0.1127%
May	10,870,000	20	543,500	0.0544%	0.2005%
June	20,600,000	21	980,952	0.0981%	0.3618%
July	6,000,000	22	272,727	0.0273%	0.1006%
August	33,155,000	21	1,578,810	0.1579%	0.5823%
September	16,185,000	22	735,682	0.0736%	0.2713%
October	116,020,000	20	5,801,000	0.5801%	2.1396%
November 1 to the Latest Practicable Date	3,945,000	2	1,972,500	0.1973%	0.7275%
		Minimum	272,727	0.0273%	0.1006%
		Maximum	5,801,000	0.5801%	2.1396%
		Average	1,250,572	0.1251%	0.4613%

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

*Notes:*

1. The Review Period commenced on 23 September 2024.
2. The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 23 September 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 2 October 2025.
3. Based on 1,000,000,000 Shares in issue as at the end of each month/period.
4. Based on 271,120,000 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated above, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue as at the Latest Practicable Date ranged from the lowest of approximately 0.0273% in July 2025 to the highest of approximately 0.5801% in October 2025, with an average daily trading volume of approximately 0.1251% of the total number of issued Shares as at the Latest Practicable Date.

If only Shares held by public Shareholders (the “**Free Float Shares**”) are considered in calculating the percentage of average daily trading volume of the Shares as at the respective month/period under the Review Period, the average trading volume of the Free Float Shares during the Review Period ranged from the lowest of approximately 0.1006% in July 2025 to the highest of approximately 2.1396% in October 2025 with an average daily trading volume of approximately 0.4613% of the total number of Free Float Shares as at the Latest Practicable Date. We noted that the trading volume surged to approximately 2.1396% in October 2025 from approximately 0.02713% in September 2025 and were advised that the Directors were not aware of any specific reasons that may have an impact on the fluctuations of trading volume of the Shares other than the publication of the Joint Announcement.

Given that the percentage of average daily trading volume to total number of Shares in issue and to total number of Shares held by public Shareholders ranges from 0.1006% to 0.5889% for most of the month/period during the Review Period, Therefore, we consider that the trading volume of the Shares was generally thin in the Review Period and illiquid in the open market.

Given the overall thin historical trading volume of the Shares during the entire Review Period, the Independent Shareholders (especially those with relatively sizeable shareholdings) may find it difficult to dispose of a large volume of Shares in the open market at a fixed cash price within a short period of time without exerting downward pressure on the Shares price. The Independent Shareholders are also advised to consider selling their Shares in the open market instead of accepting the Offer given the closing prices of the Shares had been staying well above the Offer Price during the entire Review Period, after taking into account the possible pressure on the Share price when selling in bulk, if net proceeds from such sale of Shares would exceed the net amount receivable under the Offer. Independent Shareholders should also be aware that they may have to sell their Shares in the market by batches if they do not accept the Offer.



#### 4.4 Comparable Analysis

In assessing the fairness and reasonableness of the Offer Price, we have considered using the price-to-earnings ratio (the “**P/E ratio**”) analysis, the price-to-sales ratio (the “**P/S ratio**”) analysis, the price-to-book ratio (the “**P/B ratio**”) analysis, and dividend yield analysis, which are commonly adopted valuation methods for comparing the market valuation of companies. Given that (i) the Group was loss-making and no dividend was distributed for the most recent financial year; and (ii) construction industry (including construction services) is generally characterised by high operating expenses and substantial capital requirements for project commencement and ongoing operations, we consider that the P/E ratio analysis, P/S ratio analysis and dividend yield analysis are not applicable. Notwithstanding the foregoing, as a substantial portion of the Group’s assets comprised contract assets and trade receivables, which together accounted for approximately 91.0% of its total assets and approximately 107.3% of its net asset value as at 31 March 2025, we have therefore adopted the P/B ratio analysis as the most appropriate valuation approach.

Based on the Offer Price of HK\$0.1812 per Offer Share and the total number of issued Shares of 1,000,000,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$181.2 million. The P/B Ratio of the Company implied by the Offer Price is approximately 0.67 times (the “**Implied P/B Ratio**”) based on the audited consolidated net assets of the Group of approximately HK\$272.35 million as at 31 March 2025.

Given that (i) the Group’s revenue is derived from providing the construction services (i.e. wet trade work and construction work) in Hong Kong; and (ii) the market capitalisation of the Company was approximately HK\$335.0 million as at the Last Trading Day (based on the total issued shares of 1,000,000,000 Shares and the closing price of Share of HK\$0.335 as at the Last Trading Day), for the purpose of our comparable analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the main board of the Stock Exchange and have not been suspended as at the Last Trading Day; (ii) engages in a principal business similar to those of the Group (i.e. provision of construction services); (iii) generated more than 50% of its revenue from the provision of construction services in Hong Kong in most recent completed financial year; and (iv) are of comparable size to the Company with market capitalisation as at the Last Trading Day from HK\$100 million and up to HK\$1 billion. Based on such criteria, we have identified, to the best of our knowledge, an exhaustive list of 13 comparable companies (the “**Comparable Companies**”).

Despite differences in market capitalisation between the Company and the Comparable Companies, we consider the Comparable Companies to be fair and representative after taking into account that: (i) the Comparable Companies engage in similar principal business activities with same geographical location; (ii) the Comparable Companies’ shares are listed on the main board of the Stock Exchange; (iii) the selected market capitalisation range ensures comparability in terms of market conditions, investor perception, operational scale, and business risks; and (iv) the list of Comparable Companies represents exhaustive based on the aforesaid selection criteria, we consider the selection criteria to be fair and representative and the Comparable Companies identified based on these criteria constitute an appropriate and representative reference for assessing the fairness and reasonableness of the Offer Price.

No.	Company name (Stock code)	Principal activities	Construction services revenue proportion (%) (Note 1)	Market capitalisation as at the Last Trading Day (Note 2) (HK\$' million)	P/B Ratio (times) (Note 3)
1	FEG Holdings Corporation Limited (stock code: 1413)	The group is principally engaged in the provision of construction services in Hong Kong.	100.00	170.80	0.74
2	Wecon Holdings Limited (stock code: 1793)	The group is principally engaged in the provision of building construction and repair, maintenance, alteration and addition ("RMAA") works services.	86.88	147.20	0.53
3	SOCAM Development Limited (stock code: 983)	The group is principally engaged in property development and investment, construction and contracting, renovation and fitting out, smart facilities management and investment holding.	95.82	160.54	0.07
4	China Wacan Group Company Limited (stock code: 1920)	The group is principally engaged in the provision of construction services including wet trades works and other wet trades related ancillary works, provision of construction information technology services, and provision of beauty and health services.	99.67	159.12	6.59
5	CR Construction Group Holdings Limited (stock code: 1582)	The group is a long established main contractor principally engaged in the provision of (i) building construction services and (ii) RMAA works in Hong Kong, Malaysia and United Kingdom.	97.70	177.50	0.24

No.	Company name (Stock code)	Principal activities	Construction services revenue proportion (%) (Note 1)	Market capitalisation as at the Last Trading Day (Note 2) (HK\$' million)	P/B Ratio (times) (Note 3)
6	New Concepts Holdings Limited (stock code: 2221)	The Group is principally engaged in (i) provision of foundation works, civil engineering contractual service and general building works; and (ii) environmental protection projects including kitchen waste treatment related business, development and management of environmental protection industrial park and new energy materials in Mainland China.	89.55	149.87	0.40
7	Hanison Construction Holdings Limited (stock code: 896)	The group is mainly engaged in construction engineering businesses.	77.44	289.73	0.08
8	Yau Lee Holdings Limited (stock code: 406)	The group is principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations.	75.19	324.16	0.05
9	Landrich Holding Limited (stock code: 2132)	The group is a construction contractor in Hong Kong principally providing construction engineering works in Hong Kong.	100.00	150.40	0.46
10	Twintek Investment Holdings Limited (stock code: 6182)	The group is principally engaged in sales of building materials and provision of construction and engineering services.	92.18	424.00	4.53
11	Wai Kee Holdings Limited (stock code: 610)	The group is principally engaged in the construction business.	97.44	594.84	0.21

No.	Company name (Stock code)	Principal activities	Construction	Market	P/B Ratio
			services revenue proportion (%)	capitalisation as at the Last Trading Day (Note 2) (HK\$' million)	
			(Note 1)		(times) (Note 3)
12	Asia Allied Infrastructure Holdings Limited (stock code: 711)	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 management, property management and other facility management services), non-franchised bus services and manufacturing of PET radiopharmaceuticals.	87.06	798.57	0.34
13	Geotech Holdings Ltd (stock code: 1707)	The group was principally engaged in the provision of (i) construction and engineering services; (ii) property-related services; and (iii) sales of luxury products.	75.94	243.60	1.58
				Minimum	0.05
				Maximum	6.59
				Average	1.22
	<b>The Company</b>			<b>181.20 (Note 4)</b>	<b>0.67 (Note 5)</b>

*Sources: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies*

*Notes:*

1. The proportion of revenue attributable to construction services of each of the Comparable Companies was referred to the information set out in their respective latest available annual reports.
2. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Last Trading Day.
3. The P/B Ratio was based on the then market capitalisation of Comparable Companies as at the Last Trading Day, divided by the net asset value of the Comparable Companies as stated in their respective latest available annual report or interim report.
4. The market capitalisation of the Company is calculated based on the Offer Price of HK\$0.1812 and the number of issued Shares as at the Last Trading Day (i.e. 1,000,000,000 Shares).
5. The Implied P/B Ratio of approximately 0.67 times is based on (a) the implied market capitalization of the Company of approximately HK\$181.20 million based on the Offer Price and the issued number of Shares as at the Last Trading Day; and (b) the audited consolidated net assets of the Group of approximately HK\$272.35 million as at 31 March 2025.

As set out in the table above, the P/B ratios of the Comparable Companies ranged from approximately 0.05 times to approximately 6.59 times, with an average of approximately 1.22 times. The Implied P/B ratio of approximately 0.67 times, based on the Offer Price, falls within the range of the Comparable Companies but below the average. This indicates that the Offer Price represents a relatively conservative valuation as compared with the Comparable Companies.

Notwithstanding that the Implied P/B Ratio is within the range of P/B ratios of the Comparable Companies which indicates that the Offer Price is consistent with but at the lower end of the market valuation range of the Comparable Companies, we consider the Offer Price to be unattractive given that Offer Price represents a discount of approximately 61.45% to the closing price of HK\$0.47 per Share as at the Latest Practicable Date. Taking into account the prevailing market price level of the Shares, the Offer is not fair and reasonable from the perspective of the Comparable Companies analysis.

## **5. Public float and maintaining the listing status of the Company**

As stated in the “Letter from Quam Securities” contained in this Composite Document, the Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury 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 Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the 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 Shares

Therefore, it should be noted that, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

## RECOMMENDATION

In summary, we have considered the below factors and reasons in arriving at our conclusion and recommendation in relation to the Offer:

- (i) the Offer Price is unattractive, given (i) the closing prices of the Shares has been trading above the Offer Price during the entire Review Period; (ii) the Offer Price represents a discount of approximately 45.91%, 51.55%, 54.93%, and 54.90% to the closing price as quoted on the Last Trading Day, 5-day Average Price, 10-day Average Price, and 30-day Average Price, respectively; (iii) the Offer Price represents a discount of 33.46% to the audited net asset value per Share of approximately HK\$0.2723 as at 31 March 2025 and (iv) the Offer Price represents a discount of approximately 61.45% to the closing price of the Shares of HK\$0.47 as at the Latest Practicable Date;
- (ii) the revenue of the Group for FY2024/25 has decreased by approximately 9.3% as compared to FY2024/23, alongside the turnaround of the operating profit of approximately HK\$20.6 million for FY2024/23 to a loss of approximately HK\$53.9 million for FY2024/25. Such decreases in revenue and the turnaround from operating profit to loss were primarily attributable to a reduction in the number of projects awarded during FY2024/25, which resulted from the Group's more prudent approach towards new projects and its preference for collaborating with reputable or existing contractors with a proven track record. This approach was intended to enhance project quality control and minimise the risk of payment delays, which will ultimately benefit the Company in the long term;
- (iii) the outlook for the construction and construction services industry remains positive, supported by large-scale initiatives such as the Northern Metropolis development and the public housing programme as announced under the 2025 Policy Address, which are expected to drive sustained demand for construction and related services in the city, despite short-term pressure arising from the downward adjustment trend in the Hong Kong property market;
- (iv) Mr. Gan's profound knowledge, business expertise and established network in land investment and consultancy services in Cambodia are expected to provide valuable complementary expertise, resources and customer networks to enhance the Group's existing operations in Cambodia; and
- (v) notwithstanding that the Implied P/B Ratio is within the range of P/B ratios of the Comparable Companies which indicates that the Offer Price is consistent with but at the lower end of the market valuation range of the Comparable Companies, the Offer Price is unattractive given that the Offer Price represents a discount of approximately 61.45% to the closing price of HK\$0.47 per Share as at the Latest Practicable Date.

As set out in the above points (i) and (v), the Offer Price represents substantial discounts to (i) the recent market trading levels of the Shares; (ii) the consolidated net asset value of the Company; and (iii) is positioned at the lower end of the market valuation range of the Comparable Companies, therefore, we are of the opinion that the Offer is not fair and reasonable so far as the Independent Shareholders are concerned. As further set out in the above points (ii), (iii) and (iv), despite the Group's recent unsatisfactory financial performance and the short-term pressure arising from the downward adjustment trend in the Hong Kong property market, the Group's more prudent approach towards new projects is expected to enhance project quality control and minimise the risk of payment delays. In addition, the supportive policies introduced by the Hong Kong government are expected to sustain demand in the construction and property-related industries, which will benefit the Group in future. Furthermore, Mr. Gan's business expertise and personal network are expected to strengthen the Group's expansion in Cambodia, which would be beneficial to the Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

Nevertheless, the Independent Shareholders should also note that (i) there is no guarantee that the Share price will sustain at a level above the Offer Price and/or after the Offer Period; and (ii) the Independent Shareholders (regardless to their amount of shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price when they are going to dispose of their partial or entire holdings. In such circumstances, the Offer might provide an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares at the Offer Price of HK\$0.1812. However, for those Independent Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from such sale of Shares would be higher than that receivable under the Offer. For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the financial performance of the Group and be aware of the potential difficulties they may encounter in disposing of their investments in the Shares at a price higher than the Offer Price after the Offer Period, given the generally low trading volume during the Review Period.

Yours faithfully,  
For and on behalf of  
**Merdeka Corporate Finance Limited**



**Wallace So**  
*Managing Director*

*Mr. Wallace So is a licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in corporate finance industry.*