

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CR Construction Group Holdings Limited (the “Company”), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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 transferee.

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CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF
TRIUMPH SUCCESS DEVELOPMENTS LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Alliance Capital Partners Limited
同人融資有限公司

Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 18 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation in respect of the terms of the Share Purchase Agreement and the transactions contemplated thereunder is set out on pages 20 to 31 of this circular.

A notice dated 31 December 2020 convening the EGM to be held at Room 201, 2/F Pico Tower, 64–66 Gloucester Road, Wan Chai, Hong Kong on 20 January 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.cr-construction.com.hk/>).

Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this document for measures being taken to try to prevent and control the spread of COVID-19 at the EGM, including:

- compulsory temperature checks
- health declarations
- wearing of surgical face masks
- no provision of refreshments or drinks

Any person who does not comply with any of the precautionary measures may be denied entry into the EGM venue. The Company encourages the Shareholders to consider appointing the Chairman of the meeting as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

Hong Kong, 31 December 2020

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on Shareholders, proxies and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue.
- (ii) Shareholders, proxies and other attendees are required to complete and submit a health declaration form providing their names and contact details, and confirming that they, or to their best of knowledge, any person whom they have/had close contact with, (a) are not subject to any compulsory quarantine prescribed by the Hong Kong Government; (b) do not have close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (c) have not entered Hong Kong from Mainland China or any overseas countries/areas at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue.
- (iii) Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement may be denied entry into the EGM venue.
- (iv) Where the number of attendees of the EGM exceeds 20, measures will be put in place for separating them in different rooms or partitioned areas, each accommodating not more than 20 persons.
- (v) No refreshments or drinks will be provided at the EGM.

To the extent permitted under law, the Company reserves the right to deny entry of any person into the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person.

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.cr-construction.com.hk/>).

If you are not a registered shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of your proxy.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

| | |
|----------------------------|--|
| “Acquisition” | the acquisition by the Company of the entire issued share capital of the Target Company from the Seller pursuant to the Share Purchase Agreement |
| “Announcement” | the announcement of the Company dated 30 November 2020 in relation to the Acquisition |
| “Associates” | has the same meaning ascribed thereto under the Listing Rules |
| “Board” | the board of directors of the Company |
| “Bursa Malaysia” | Bursa Malaysia Bhd, the stock exchange of Malaysia |
| “Business Day” | any day (excluding a Saturday or Sunday or public holiday) on which banks are generally open for business in Hong Kong, Malaysia and the PRC |
| “CAGR” | compound annual growth rate |
| “Company” | CR Construction Group Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 1582) |
| “Completion” | completion of the Acquisition pursuant to the terms and conditions of the Share Purchase Agreement |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the total consideration payable by the Company under the Share Purchase Agreement described in the section headed “2. The Acquisition — The Share Purchase Agreement — Consideration and payment terms” of the Letter from the Board in this Circular |
| “Consideration Adjustment” | the adjustment to the Consideration as described in the section headed “2. The Acquisition — The Share Purchase Agreement — Consideration and payment terms” of the Letter from the Board in this Circular |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |

DEFINITIONS

| | |
|-------------------------------------|---|
| “COVID-19” | the disease named “COVID-19” by the World Health Organization, which is a respiratory disease caused by a novel coronavirus first detected in 2019 |
| “Deed of Assignment and Settlement” | the deed of assignment and settlement to be entered into between the Seller, the Malaysian Subsidiary and the Target Company prior to Completion and delivered to the Company at Completion, and which will take effect from Completion |
| “Directors” | the directors of the Company |
| “EGM” | an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition |
| “Independent Financial Adviser” | Alliance Capital Partners Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition |
| “Independent Shareholders” | Shareholders who are not required to abstain from voting at the EGM to approve the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition |
| “Latest Practicable Date” | 28 December 2020, being the latest practicable date prior to the printing of this circular |

DEFINITIONS

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|----------------------------|---|
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Malaysian Subsidiary” | CR Sea (Malaysia) Sdn. Bhd, a company incorporated in Malaysia with registered number 201701022023 (1236189-T) and the sole subsidiary of the Target Company |
| “Non-Competition Deed” | the deed of non-competition dated 17 September 2019 given by the Company’s controlling shareholders in favour of the Company regarding certain non-competition undertakings |
| “Parties” | the Seller and the Company, being the parties to the Share Purchase Agreement, and a “Party” shall be construed accordingly |
| “P/E” | price to earnings ratio |
| “PRC” | the People’s Republic of China, which expression, solely for the purpose of construing this circular, does not include Hong Kong, Macau Special Administrative Region or Taiwan |
| “RM” | Malaysian Ringgit, the lawful currency of Malaysia |
| “Seller” | China Zhejiang Construction Group (H.K.) Limited (中國浙江建設集團(香港)有限公司), a company incorporated in Hong Kong and one of the controlling shareholders of the Company |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, modified and supplemented from time to time |
| “Share Purchase Agreement” | means the share purchase agreement in relation to the Acquisition entered into between the Seller and the Company on 30 November 2020 |
| “Shareholder’s Loans” | means the shareholder’s loans between the Target Company or the Malaysian Subsidiary (in each case as borrower) and the Seller (as lender) which are interest-free and repayable on demand, with an aggregate balance of HK\$137,682,428 as at the Latest Practicable Date (which is subject to further fluctuations from time to time) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

DEFINITIONS

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|------------------|--|
| “Target Company” | Triumph Success Developments Limited, a company incorporated in the British Virgin Islands and holding all of the issued share capital of the Malaysian Subsidiary |
| “Target Group” | means the Target Company and the Malaysian Subsidiary |
| “%” | per cent. |



CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

Executive Directors:

Mr. Guan Manyu (*Chairman*)
Mr. Li Kar Yin (*Chief Executive Officer*)
Ms. Chu Ping
Mr. Law Ming Kin
Mr. Chan Tak Yiu

Registered Office in Cayman Islands:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Non-executive Director:

Mr. Yang Haojiang

*Headquarters and Principal Place
of Business in Hong Kong:*

Units 3–16, 32/F.
Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Independent non-executive Directors:

The Honourable Tse Wai Chun Paul *JP*
Mr. Li Ka Fai David
Mr. Ho Man Yiu Ivan

31 December 2020

To the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF
TRIUMPH SUCCESS DEVELOPMENTS LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the EGM.

LETTER FROM THE BOARD

2. THE ACQUISITION

On 30 November 2020, the Company and the Seller, one of the controlling shareholders of the Company, entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Seller has conditionally agreed to sell the entire issued share capital of the Target Company for an aggregate Consideration of HK\$20,000,000, which is subject to the Consideration Adjustment. The Consideration will be financed by internal resources of the Group and/or external bank borrowings, as the Company considers appropriate.

The Target Company is the holding company of the Malaysian Subsidiary, which is principally engaged in building construction works in Malaysia.

The Share Purchase Agreement

Date

30 November 2020

Parties

- (1) China Zhejiang Construction Group (H.K.) Limited, as the seller; and
- (2) the Company, as purchaser.

Proposed Purchase of the entire issued share capital of the Target Company

The Share Purchase Agreement provides for the sale by the Seller and the purchase by the Company of the entire issued share capital of the Target Company. The sole asset of the Target Company is its interest in the entire issued share capital of the Malaysian Subsidiary, which is principally engaged in building construction works in Malaysia.

Upon Completion, the Target Group will become a wholly-owned subsidiary of the Company, and the Seller will cease to have any direct interest in the Target Company.

Consideration and payment terms

The Consideration payable by the Company under the Share Purchase Agreement for the Acquisition is HK\$20,000,000, payable at Completion in cash and subject to the Consideration Adjustment. The Consideration will be financed by internal resources of the Company and/or external bank borrowings, as the Company considers appropriate.

The Consideration shall be adjusted by the Consideration Adjustment if the audited net profit after tax (excluding any income or losses generated by activities outside the ordinary and usual course of business) of the Malaysian Subsidiary for the financial year ending 31 December 2021 is less than HK\$4,000,000 (the “**Target Net Profit**”). In determining the Target Net Profit of HK\$4,000,000, the Company and the Seller have made reference to: (i) the Target Group’s awarded contracts in five construction work

LETTER FROM THE BOARD

projects; and (ii) arm's length commercial negotiations between the Company and the Seller which concluded that the consideration shall not exceed a P/E of more than 5 times the Target Group's net profit after tax in 2021.

When assessing whether the Target Net Profit is achievable, the Directors have considered the following:

- (i) the financial results of the Target Group for the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, and discussions with the Target Group, from which the Company understood that the gross losses and net losses recorded by the Target Group during the relevant periods were mainly due to losses recognised from the Target Group's construction projects. Although the construction projects were forecasted to be overall profit-making, as the projects were in the early stages of construction relative to the overall construction progress, the costs recognised are of more significant amounts mainly due to upfront costs. The Target Group expects the gross profit margin of the projects to be significantly higher once the construction projects reach its maturity stage of the construction progress; and
- (ii) the five awarded construction work contracts of the Target Group as at the date of the Share Purchase Agreement and their respective construction schedules, of which (i) one project commenced work during 2018 and is expected to be completed in 2021 ("**Project A**"); (ii) two projects commenced work during the six months ended 30 June 2020 and are expected to be completed in 2021 ("**Project B and Project C**"); and (iii) the remaining two projects are expected to commence work in 2021 and are expected to be completed in 2021 and 2023 respectively. The total aggregate outstanding contract value of those five contracts amounted to approximately RM405 million (approximately HK\$773 million) as at the Latest Practicable Date.

Accordingly, taking into consideration (i) the reason for the losses recorded by the Target Group in the past two years ended 31 December 2018 and 2019 and six months ended 30 June 2020, (ii) the construction contracts secured and their respective construction schedules, particularly the expectation that Project A, Project B and Project C will be completed in 2021 and the current expectation that these projects are profit-making, the Board considers that the Target Net Profit is achievable and, when taken together with the Consideration and the Consideration Adjustment, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Adjustment shall be calculated as follows:

"Consideration Adjustment" = (Target Net Profit LESS audited net profit after tax (excluding any income or losses generated by activities outside the ordinary and usual course of business) of the Malaysian Subsidiary for the year ending 31 December 2021) x 5

The aggregate amount of the Consideration Adjustment shall not, in any case, exceed the Consideration.

LETTER FROM THE BOARD

The Consideration Adjustment shall be payable by the Seller to the Company within 10 Business Days of service of a notice by the Company setting out the amount of the Consideration Adjustment (if any).

For the avoidance of doubt, if the audited net profit after tax (excluding any income or losses generated by activities outside the ordinary and usual course of business) of the Malaysian Subsidiary for the financial year ending 31 December 2021 is equal to or more than the Target Net Profit for that year, no Consideration Adjustment will be made. If the Malaysian Subsidiary makes a net loss after tax (excluding any income or losses generated by activities outside the ordinary and usual course of business) for the financial year ending 31 December 2021, the audited net profit after tax (excluding any income or losses generated by activities outside the ordinary and usual course of business) shall be treated as zero.

The Company will comply with the disclosure requirements under the Listing Rules in the event that the Malaysian Subsidiary fails to meet the Target Net Profit.

Basis of the Consideration

The Consideration and the Consideration Adjustment were determined by the Parties following arm's length commercial negotiations, taking into consideration: (i) the Target Net Profit of HK\$4,000,000 for the year ending 31 December 2021; (ii) the implied P/E of approximately 5 times based on the Target Net Profit and the Consideration Adjustment mechanism as described above; (iii) the P/E of comparable companies in Hong Kong and Malaysia; (iv) the historical financial performance and future development potential of the Target Group and the Company; (v) the current situation and future development prospects of the industries in which the Target Group and the Company operate; and (vi) the benefits of the Acquisition as set out in the paragraph headed "REASONS AND BENEFITS OF THE ACQUISITION" below.

The Board considered the P/E of comparable companies which are (i) listed on the Stock Exchange or Bursa Malaysia; (ii) principally engaged in building construction works contracting; and (iii) have a market capitalization of not more than HK\$500 million. Based on this selection criteria, a total of 36 companies (with 18 companies listed on each of the Stock Exchange and Bursa Malaysia) were identified by the Board on a best effort basis for comparison. The Board considers this to be a reasonable approach to identify a sufficient sample of comparable companies which are of a size, and whose principal activities are, comparable to the Target Group, and whose financial information and P/E are publicly available for comparison. The Board believes, to its best knowledge and belief, that the comparable companies identified based on the selection criteria are a fair, representative and exhaustive sample of companies similar and comparable to the Target Group.

LETTER FROM THE BOARD

Set forth below is a summary of the comparable companies identified:

Comparable companies listed on the Stock Exchange

| Stock code | Company Name | Principal Business | Primary Geographic Location | Closing Price as at the Latest Practicable Date | Market capitalisation as at the Latest Practicable Date (HK\$ million) | P/E (Note 1) | Revenue (Note 2) (HK\$ million) | % of Revenue from construction related works | Net Profit (Note 2) (HK\$ million) | Net Assets (Note 2) (HK\$ million) |
|------------|---|--|-----------------------------|---|--|--------------|---------------------------------|--|------------------------------------|------------------------------------|
| 1 | 406 Yau Lee Holdings Limited | Principally engaged in construction and related businesses | Hong Kong | 0.980 | 429 | N/A | 5,618 | 96.8% | (42) | 1,383 |
| 2 | 983 SOCAM Development Limited | Principally engaged in property development and investment, asset management, construction and contracting, renovation and fitting out, and investment holding | Hong Kong and Macau | 1.240 | 464 | N/A | 5,545 | 100.0% | 7 | 2,982 |
| 3 | 1420 Chuan Holdings Limited | Principally engaged in provision of earthworks and related services and general construction | Singapore | 0.082 | 85 | 16 | 457 | 100.0% | 6 | 549 |
| 4 | 1459 Juijiang Construction Group Co., Ltd. | Principally engaged in the construction contracting businesses | PRC | 0.650 | 87 | 1 | 8,477 | 98.7% | 161 | 1,726 |
| 5 | 1546 Theiloy Development Group Limited | Principally engaged in the provision of property construction services | Hong Kong | 0.180 | 144 | 12 | 537 | 100.0% | 13 | 123 |
| 6 | 1552 BHCC Holding Limited | Principally engaged as a main contractor in the provision of building and construction works | Singapore | 0.130 | 104 | N/A | 721 | 100.0% | 0 | 250 |
| 7 | 1582 CR Construction Group Holdings Limited | Principally engaged in the provision of building construction services | Hong Kong | 0.530 | 265 | 5 | 4,814 | 100.0% | 59 | 526 |
| 8 | 1647 Grandshores Technology Group Limited | Principally engaged in construction and blockchain business | Singapore | 0.219 | 226 | N/A | 274 | 92.3% | (5) | 315 |
| 9 | 1667 Milestone Builder Holdings Ltd. | Principally involved in the construction business | Hong Kong | 0.275 | 264 | N/A | 261 | 100.0% | (17) | 125 |
| 10 | 1693 BGMC International Limited | Principally engaged in the construction of building and structural construction works | Malaysia | 0.030 | 54 | N/A | 686 | 100.0% | (103) | 516 |
| 11 | 1742 HPC Holdings Limited | Principally provides general building and civil engineering works for the public and private sectors | Singapore | 0.107 | 171 | 2 | 1,267 | 100.0% | 87 | 555 |
| 12 | 1793 Wecon Holdings Limited | Principally engaged in construction projects | Hong Kong | 0.179 | 143 | 3 | 1,204 | 100.0% | 50 | 278 |
| 13 | 1953 Rimbac Group Global Limited | Principally engages on the provision of building construction services | Malaysia | 0.204 | 257 | 11 | 509 | 100.0% | 24 | 184 |
| 14 | 3728 Ching Lee Holdings Limited | Principally engaged in the provision of construction and consultancy works and project management services | Hong Kong | 0.186 | 188 | 16 | 993 | 100.0% | 12 | 121 |
| 15 | 8259 Hon Corporation Limited | Principally engaged in the provision of construction services | Singapore | 0.465 | 321 | N/A | 401 | 100.0% | (33) | 94 |
| 16 | 8262 Super Strong Holdings Limited | Principally engaged in general building works and specialist building works | Hong Kong | 0.280 | 224 | N/A | 217 | 100.0% | 2 | 160 |
| 17 | 8268 Smart City Development Holdings Ltd. | Principally engaged in the construction business | Hong Kong and PRC | 0.073 | 73 | N/A | 628 | 99.8% | (3) | 97 |
| 18 | 9998 Kwan Yung Holdings Limited | Principally engaged in construction of various types of buildings | Singapore | 0.243 | 194 | N/A | 750 | 100.0% | (100) | 249 |

LETTER FROM THE BOARD

Comparable companies listed on the Bursa Malaysia

| Stock code | Company Name | Principal Business | Primary Geographic Location | Closing Price as at the Latest Practicable Date (HK\$ million) | Market capitalisation as at the Latest Practicable Date (HK\$ million) | P/E (Note 1) | Revenue (Note 2) (HK\$ million) | % of Revenue from construction related works | Net Profit (Note 2) (HK\$ million) | Net Assets (Note 2) (HK\$ million) |
|------------|---|---|-----------------------------|--|--|--------------|---------------------------------|--|------------------------------------|------------------------------------|
| 1 | 7145 Ageson Berhad | The principal activities of which are mainly construction, property development and general trading | Malaysia | 0.252 | 213 | 3 | 183 | 100.0% | 75 | 441 |
| 2 | 7078 Ahmad Zaki Resources Berhad (Note 3) | Principally engaged in engineering and construction, concession, oil and gas, plantation and property development | Malaysia | 0.611 | 365 | N/A | 1,874 | 85.7% | (191) | 699 |
| 3 | 8591 Crest Builder Holdings Berhad | Principally an investment holding company, engaged principally in commercial, residential and institutional building construction | Malaysia | 1.435 | 254 | 7 | 903 | 88.1% | 37 | 985 |
| 4 | 7047 Fajarbaru Builder Group Bid. | Principally engaged in construction, property development, logging and timber trading and logistics | Malaysia | 0.999 | 373 | 6 | 455 | 82.3% | 63 | 634 |
| 5 | 192 Inta Bina Group Berhad | Principally engaged in construction industry | Malaysia | 0.592 | 317 | 8 | 798 | 100.0% | 44 | 265 |
| 6 | 9628 Leitech Berhad | Principally engaged in civil and building construction works | Malaysia | 1.940 | 265 | N/A | 95 | 100.0% | (3) | 248 |
| 7 | 5085 Mudajaya Group Berhad | Principally engaged in Construction, development of residential and commercial, sale of power energy and facilities management and trading in construction materials and manufacturing of construction related products | Malaysia | 0.582 | 378 | N/A | 764 | 70.9% | (171) | 349 |
| 8 | 206 Gagasan Nadi Cergas Berhad | Principally engaged in Construction, concession and facility management segment, setting up of thermal energy storage plant and development of residential, commercial and industrial properties | Malaysia | 0.611 | 460 | 9 | 562 | 86.8% | 49 | 865 |
| 9 | 8311 Pesona Metro Holdings Berhad | Principally engaged in construction works, manufacturing and trading of polyurethane, concession and investment holding | Malaysia | 0.475 | 330 | 15 | 1,213 | 95.1% | 21 | 378 |
| 10 | 6807 Puncak Niaga Holdings Berhad | Principally engaged in operation and maintenance of a water treatment plant, construction activities, oil palm plantation activities and construction and maintenance relating to concession agreements | Malaysia | 0.776 | 349 | N/A | 921 | 94.9% | (111) | 3 |
| 11 | 5006 Stella Holdings Berhad | Principally engaged in construction, property development and oil & gas support services | Malaysia | 1.571 | 105 | 20 | 140 | 87.1% | 6 | 99 |
| 12 | 221 TCS Group Holdings Berhad | Principally engaged in construction | Malaysia | 1.106 | 398 | 13 | 695 | 100.0% | 30 | 81 |

LETTER FROM THE BOARD

| Stock code | Company Name | Principal Business | Primary Geographic Location | Closing Price as at the Latest Practicable Date (HK\$ million) | Market capitalisation as at the Latest Practicable Date (HK\$ million) | P/E (Note 1) | Revenue (Note 2) (HK\$ million) | % of Revenue from construction related works | Net Profit (Note 2) (HK\$ million) | Net Assets (Note 2) (HK\$ million) |
|------------|-----------------------------------|---|-----------------------------|--|--|--------------|---------------------------------|--|------------------------------------|------------------------------------|
| 13 | 5268 Top Builders Capital Berhad | Principally involved in engineering and construction of development | Malaysia | 0.213 | 126 | N/A | 387 | 98.0% | (306) | 54 |
| 14 | 5054 TRC Synergy Berhad | Principally engaged in construction activity and property development | Malaysia | 0.747 | 359 | 10 | 1,646 | 100.0% | 35 | 813 |
| 15 | 5042 TSR Capital Berhad | Principally engaged in construction and property development | Malaysia | 0.562 | 98 | 3 | 248 | 100.0% | 36 | 334 |
| 16 | 7028 Zecon Berhad | Principally engaged in construction, property development, service concession and property holding. | Malaysia | 0.970 | 140 | 2 | 1,007 | 100.0% | 70 | 712 |
| 17 | 2283 Zelan Berhad | Principally engaged in engineering and construction, property development, asset facility management and investment | Malaysia | 0.213 | 180 | 37 | 157 | 69.6% | 5 | 91 |
| 18 | 5129 Melati Ehsan Holdings Berhad | Principally engaged in construction, trading and property development | Malaysia | 0.931 | 112 | 25 | 423 | 94.6% | 5 | 410 |

Notes:

1. Companies recorded net losses in their latest financial year or P/E of more than 50 times are shown as N/A.
2. Revenue, net profit attributable to the owners of the respective companies and net assets of the latest full financial year is presented.
3. Company in change of financial year, figures are translated to one full year figures from one and a half year figures from latest annual report for illustrative purposes.
4. For illustrative purposes, RM, Singapore Dollar (SGD) and RMB have been translated to HK\$ at a rate of RM1 : HK\$1.9395; SGD1 : HK\$5.8790; RMB1 : HK\$1.2015 in the above tables.

Source: Websites of the Stock Exchange and Bursa Malaysia

LETTER FROM THE BOARD

Based on the public available information as at the Latest Practicable Date, excluding outliers with a P/E of more than 50 times, the P/E of the comparable companies ranged from approximately 1 times to approximately 37 times, with an average P/E of approximately 10 times.

Having considered that (i) the Target Net Profit of not less than HK\$4,000,000 implied a P/E of not more than 5 times which would be far below the average P/E of the comparable companies; (ii) the Consideration Adjustment mechanism in place which is in favour of the Company; (iii) the potential growth of the Target Group and the Malaysian building construction market; and (iv) other benefits of the Acquisition as set out in the paragraph headed “REASONS AND BENEFITS OF THE ACQUISITION” below, the Board considers that the Consideration is fair and reasonable.

Assignment of Receivables and partial Settlement of Shareholder’s Loans

With effect from Completion, all of the accounts receivables of the Malaysian Subsidiary arising under its existing construction contracts and which are owed to the Malaysian Subsidiary as at the date that is five Business Days prior to Completion will be assigned to the Seller in full and final settlement of part of the Shareholder’s Loans owed by the Malaysian Subsidiary as at the date that is five Business Days prior to Completion, thereby reducing the amounts owing to the Seller under such Shareholder’s Loans (and, accordingly, the liabilities of the Malaysian Subsidiary) by the amount of the accounts receivables assigned at Completion. As at the Latest Practicable Date, the aggregate amount of the accounts receivables to be assigned was approximately HK\$133,489,121 and the aggregate outstanding balance of the Shareholder’s Loans was approximately HK\$137,682,428 (both of which are subject to further fluctuations). The aggregate amount of accounts receivables balance and the balance of Shareholder’s Loans was HK\$82,298,072 and HK\$112,552,749 respectively as at 30 June 2020. Following the assignment of the aforementioned receivables of the Malaysian Subsidiary and the partial settlement of the Shareholder’s Loans owed by the Malaysian Subsidiary, the major assets of the Target Group will mainly comprise (i) contract assets, (ii) prepayments, deposits and other receivables and (iii) cash and bank balances, which were approximately HK\$22.1 million, HK\$2.4 million and HK\$ 2.8 million as at 30 June 2020, respectively, and the Target Group’s major liabilities (other than the remaining Shareholder’s Loans) will mainly comprise (i) trade and retention payables and (ii) other payables and accruals, which were approximately HK\$17.9 million and HK\$3.5 million, respectively; as at 30 June 2020.

The Seller further agrees under the Deed of Assignment and Settlement that (a) it shall not seek repayment of the remaining Shareholder’s Loans from the Malaysian Subsidiary, the Target Company or any other entity until such time as the Malaysian Subsidiary’s audited financial statements demonstrate that the Malaysian Subsidiary has: (i) net profit that exceeds RM0, (ii) net assets that exceeds RM0; and (iii) positive operating cash flows (the “**Repayment Conditions**”); and (b) neither the Malaysian Subsidiary nor the Target Company shall have any obligation to repay any part of its respective remaining Shareholder’s Loans until: (i) the Repayment Conditions have been fulfilled; and (ii) a written notice of demand for repayment has been received from the

LETTER FROM THE BOARD

Seller containing the amount to be repaid and a repayment period of at least 60 Business Days from the date of receipt of such written notice. The Seller has also undertaken to the Company that it shall not make any loans or advances to either the Target Company or the Malaysian Subsidiary under any of the Shareholder's Loans or otherwise on and from the date that is five Business Days prior to Completion.

Conditions precedent

Completion of the Acquisition is subject to the fulfilment or waiver (if applicable) of the following conditions precedent:

- (1) the Independent Shareholders approving the Share Purchase Agreement and the transactions contemplated thereunder as may be required by the Listing Rules; and
- (2) the Seller having complied fully with its obligations in relation to the conduct of the business of the Target Company and the Malaysian Subsidiary in the ordinary and usual course before Completion.

If any of the above conditions precedent are not fulfilled or waived (if applicable) on or before the date falling six months after the date of the Share Purchase Agreement or such later date as the Parties may agree, the Share Purchase Agreement shall be capable of termination by either Party forthwith on written notice to the other.

Completion

Completion of the Acquisition will take place at 4:00 p.m. on the Business Day on which the last of the conditions precedent is satisfied.

Information on the Parties and the Target Group

Information on the Seller

The Seller is a company incorporated in Hong Kong with limited liability, with an indirect interest of 72.23% of the total issued share capital of the Company and is a controlling shareholder of the Company. It is indirectly wholly-owned by Zhejiang Construction Investment Group Co., Ltd., another controlling shareholder of the Company, which is wholly owned by Dohia Group Co., Ltd, a company listed on Shenzhen Stock Exchange (SZSE Security Code: 002761). Dohia Group Co., Ltd is in turn ultimately indirectly owned as to 37.90% by Zhejiang State-owned Capital Operation Company Limited (which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Zhejiang Provincial Government), 11.53% by China Cinda Asset Management Co., Ltd., 11.53% by ICBC Financial Asset Investment Co. Ltd., 6.21% by Zhejiang Jianyang Investment Company Limited (浙江建陽投資股份有限公司), 6.21% by Deson Development International Holdings Limited (Stock Code: 262), 6.21% by Hung Wan Construction Co Ltd., and the remaining 20.41% held by other smaller shareholders. Dohia Group Co., Ltd is principally engaged in building construction business, engineering related services and investment in infrastructure projects. The Seller is principally engaged in (i) building construction business in the Asia

LETTER FROM THE BOARD

Pacific region excluding Hong Kong and Macau; and (ii) holding interests in companies engaging working capital management in Hong Kong, financial leasing, civil engineering; and property management in the PRC.

Information on the Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Seller. The Target Company is an investment holding company directly holding all of the issued capital of the Malaysian Subsidiary.

The Malaysian Subsidiary was established in 2017 and is principally engaged in building construction works in Malaysia. Since its establishment in 2017, the Malaysian Subsidiary has been awarded contracts for construction works in Malaysia, and is currently engaged in five construction work projects including (1) the development of two blocks of 41-storey service flats, (2) the building and external works for one block of 5-storey building with office floors, (3) the construction works for two blocks of hotel suites consisting of 23 floors and additional works to be done on an existing hotel, (4) building works for two blocks of residential services apartments consisting of 29-storey for each block, and (5) piling and pile cap works for a block of 5-storey building. As at the date of the Share Purchase Agreement, the aggregate amount of the total contract sums and variation orders (i.e. orders placed by customers during the course of project execution due to changes to part of the works that are necessary for completion of the project) from these projects was approximately HK\$1,005.8 million. The Malaysian Subsidiary has also entered into four memoranda of understanding in connection with the construction works for high-rise service apartments, hotel and residential flats.

Set out below is a summary of certain unaudited financial information of the Target Group for the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020:

| | For the year ended 31 December 2018 HK\$'000 | For the year ended 31 December 2019 HK\$'000 | For the six months ended 30 June 2020 HK\$'000 |
|---------------------|---|---|---|
| Gross loss | 5,334 | 4,434 | 1,449 |
| Net loss before tax | 9,074 | 9,230 | 6,056 |
| Net loss after tax | 9,074 | 9,230 | 6,056 |

The Target Group recorded a gross loss of approximately HK\$5.3 million and HK\$4.4 million for the two years ended 31 December 2018 and 2019, respectively, and HK\$1.4 million for the six months ended 30 June 2020 and a net loss after tax of approximately HK\$9.1 million and HK\$9.2 million for the two years ended 31 December 2018 and 2019, respectively, and HK\$6.1 million for the six months ended 30 June 2020. As explained above, construction projects are generally loss-making during the early

LETTER FROM THE BOARD

stages due to preliminary and upfront costs. Profits arising from the construction projects are expected to be generated towards the later stages of the construction progress. The gross loss and net loss after tax for the years ended 31 December 2018 and 2019 were mainly due to the costs incurred for Project A at the early stages of such construction contract, which commenced work in 2018. The gross loss and net loss after tax for the six months ended 30 June 2020 were mainly due to the costs incurred for Project B and Project C as both these construction projects commenced work during the six months ended 30 June 2020.

The unaudited consolidated net liabilities of the Target Group as at 31 December 2018, 31 December 2019 and 30 June 2020 was approximately HK\$9,207,000, HK\$18,459,000 and HK\$23,716,000 respectively.

Upon Completion, the Target Group will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

Information on the Company and the Group

The Company and the Group are principally engaged in contractor services for building construction works and repair, maintenance, alteration and addition works projects across public and private sectors in Hong Kong. The Company principally acts as a main contractor and is responsible for (i) overall management of the projects; (ii) formulating work programmes; (iii) engaging subcontractors and supervising their works; (iv) sourcing construction materials; (v) communication and coordination with our customers and their consultant teams; and (vi) safeguarding compliance with safety, environmental and other contractual requirements.

Reasons and Benefits of the Acquisition

As stated above, the Company and the Group are principally engaged in contractor services for building construction works and repair, maintenance, alteration and addition works projects across public and private sectors in Hong Kong.

The Directors consider that, taking into consideration the highly competitive market in Hong Kong and limited opportunities for further expansion in the Hong Kong market, the Acquisition will allow the Group to expand into Malaysia, which is a developing market with growth potential and benefits from the PRC's Belt and Road Initiative, and leverage on the Target Group's expertise, experience and resources in planning the development and management of construction works and projects in Malaysia, thereby diversifying the Group's business risk geographically and enlarging the business scale, revenue and customer base of the Group, which will benefit the Company and its shareholders in the long term.

The Board, having considered the Malaysian building construction market study report commissioned by the Company from Frost & Sullivan in November 2020, are of the view that the Malaysian building construction sector has optimistic prospects, given it has been growing steadily over the last six years, despite the temporary disruption by the

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outbreak of COVID-19 and the corresponding Movement Control Order measures taken by the Malaysian government in 2020. Based on the Frost & Sullivan report, the Malaysian building construction sector is expected to recover from the disruption caused by COVID-19 and continue to grow with a CAGR of approximately 6.7% from 2020 to 2024. The Target Group has also demonstrated, through the Malaysian Subsidiary's current projects and projects in the pipeline, its ability to acquire construction works projects in Malaysia. As mentioned above, the Malaysian Subsidiary is currently working on five building projects (with an aggregate total contract sum and variation orders of approximately HK\$1,005.8 million) and has in its pipeline potential projects for which four memoranda of understanding has been signed. Despite the Target Group's loss of approximately HK\$6.1 million and net liabilities of HK\$23.7 million recorded for the six months ended and as at 30 June 2020, having considered the positive market outlook and the Target Group's current and potential projects, the Directors of the Company consider that the Target Group is well positioned to capture opportunities in the Malaysia building construction market.

Additionally, under the terms of the Non-Competition Deed entered into between the Company (for itself and on behalf of its subsidiaries) and, among others, the Seller, the Seller is restricted from carrying on any competing business with the Group in any market. With the Company's proposed expansion into the Malaysian market, the Acquisition would permit the Seller to continue to be in compliance with the terms of the Non-Competition Deed as, following Completion, the Seller would not compete with the Group in the Malaysian market.

None of the Directors have a material interest in the Share Purchase Agreement and the transactions contemplated thereunder. However, since Mr. Guan Manyu, Ms. Chu Ping and Mr. Yang Haojiang also hold directorships and/or management positions in the Seller, each of them has voluntarily abstained from voting on the board resolution(s) approving the Share Purchase Agreement and the transactions contemplated thereunder.

Listing Rules Implications

As the Seller is a controlling shareholder of the Company and hence a connected person of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Independent Board Committee

The Independent Board Committee, which comprises The Honourable Tse Wai Chun Paul JP, Mr. Li Ka Fai David and Mr. Ho Man Yiu Ivan, being all of the independent non-executive Directors, has been established by the Company to provide recommendations to the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder.

Alliance Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder.

Shareholders and potential investors should note that completion of the Acquisition is subject to a number of conditions which may or may not be fulfilled. There is no assurance that the Acquisition will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in or investing in the securities of the Company.

3. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, a resolution will be proposed to the Shareholders to consider and approve, *inter alia*, the Share Purchase Agreement and the transaction contemplated thereunder as an ordinary resolution.

The Seller is interested in 361,150,000 Shares, which are directly held by its wholly-owned subsidiary, CR Construction Investments Limited, representing approximately 72.23% of the total issued share capital of the Company as at the Latest Practicable Date. In view of the Seller's interests in the Share Purchase Agreement and transactions contemplated thereunder, CR Construction Investments Limited will abstain from voting at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Share Purchase Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution of the Company in approving the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

4. ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.cr-construction.com.hk>). Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form

LETTER FROM THE BOARD

of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Share Purchase Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Share Purchase Agreement. Alliance Capital Partners Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder and as to voting.

5. RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee having considered the advice of the Independent Financial Adviser) consider that the terms of the Share Purchase Agreement and the transactions completed thereunder, including the Acquisition, are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition.

6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by a poll. The chairman of the EGM will therefore put the ordinary resolution to be proposed at the EGM to be voted by way of a poll pursuant to Article 66(1) of the Articles of Association.

Pursuant to the Articles of Association, on a poll every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register of members. On a poll, a Shareholder entitled to more than one vote is under no obligation to cast all his votes in the same way.

7. GENERAL INFORMATION

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

Yours faithfully,
By order of the Board
CR Construction Group Holdings Limited
Guan Manyu
Chairman



CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

31 December 2020

To the Independent Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF
TRIUMPH SUCCESS DEVELOPMENTS LIMITED**

We refer to the circular of the Company dated 31 December 2020 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise you as to whether, in our opinion, the terms of the Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Alliance Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendix to the Circular.

Having considered the terms of the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser from pages 20 to 31 of the Circular, we consider that though the entering into of the Share Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition.

Yours faithfully,

For and on behalf of the Independent Board Committee

The Honourable Tse Wai Chun Paul JP, Mr. Li Ka Fai David and Mr. Ho Man Yiu Ivan
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Alliance Capital Partners Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



Alliance Capital Partners Limited
同人融資有限公司

31 December 2020

To the Independent Board Committee and the Independent Shareholders of
CR Construction Group Holdings Limited

Dear Sir or Madam,

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transaction of the Company in relation to the proposed acquisition of Target Company from China Zhejiang Construction Group (H.K.) Limited, the Company's controlling shareholder. Details of the proposed Acquisition are set out in the Letter from the Board as contained in the circular of the Company dated 31 December 2020 (the "**Circular**") to Shareholders. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As the Seller is a controlling shareholder of the Company and hence a connected person of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Based on the applicable size tests, the Acquisition, if proceeded with, will constitute a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules. As such, in accordance with the requirements of the Listing Rules, the Acquisition will be subject to approval by the Independent Shareholders at the EGM. In this respect, an Independent Board Committee was established by the Board to consider the Acquisition and to advise the Independent Shareholders on whether the terms of the Acquisition are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. We have been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on statements, information and representations referred to in the Circular as well as information and representations provided to us by the Directors. We have assumed that all such information, financial and otherwise, as well as representations provided by the Directors, for which they are solely responsible, are true and accurate at the time when they were made. More specifically, we have relied on the unaudited financial statements of the Target Group for the year ended 31 December 2019 and for six months to 30 June 2020

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respectively. We have also discussed with the Company on the accounting treatment of the Group's consolidated financial statements following Acquisition and understand that such accounting policies have been consistently applied historically.

BASIS OF OUR OPINION

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to doubt the truth and accuracy of the information and representations provided to us and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and/or referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, for the purpose of this exercise conducted any independent verification of the information included in the Circular and/or those provided to us by the management of the Company nor have we conducted any form of investigation into the businesses, affairs of the Target Group.

As at the Latest Practicable Date, Alliance Capital Partners Limited did not have any relationship or interest with the Company that could reasonably be regarded as relevant to the independence of Alliance Capital Partners Limited. There was no engagement between the Group and Alliance Capital Partners Limited in the past. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or the Seller.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Acquisition, we have considered the following principal factors and reasons:

The Group's business

Established in 1967, the Group is one of the leading building contractors mainly involved as a main contractor in building construction works as well as alteration and addition works projects for both private and public sectors in Hong Kong. In January 2014, Zhejiang Construction Investment Group Co. Ltd., a PRC state owned building construction enterprise, acquired CR Construction Company Limited and became its ultimate parent company. In October 2019, the Company was listed on the Main Board of the Stock Exchange. Over the years, the Group has been active in the building construction sector in Hong Kong. In 2020, the Group was awarded a number of building construction projects; amongst which were (i) proposed development of four residential towers with a total of 750 units, podium carpark, clubhouse and ancillary structures at Yau Tong Inland Lot No. 44 next to the Sam Ka Tsuen Ferry Pier in March 2020; (ii) construction of subsidized sales flats development for Hong Kong Housing Authority in Shek Mun, Sha Tin for contract sum of approximately HK\$400 million in April 2020; (iii) proposed development of two towers of 19-storey residential buildings on a 6-storey podium structure with basement in Sham Shui Po (contract sum: approximately HK\$500 million) in June 2020; (iv) an industrial building development in Tsuen

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Wan (contract sum: approximately HK\$1 billion) in August 2020 and (v) the commercial redevelopment of the Mariners' Club in Tsim Sha Tsui (contract sum: approximately HK\$1.6 billion) in October 2020.

Based on audited financial statements for year ended 31 December 2019, the Group's revenue was HK\$4,833.85 million (2018: HK\$4,813.86 million) whereas after-tax profit attributable to shareholders was HK\$58.52 million (2018: HK\$63.43 million). During the year, the Group's gross profit margin (before administrative and interest expenses) was approximately 4.4% (2018: 3.9%). As at 31 December 2019, the Group's audited net assets were HK\$525.64 million. For the six months period to 30 June 2020, the Group's unaudited revenue and after-tax profit were HK\$2,180.92 million (2019: HK\$2,393.94 million) and HK\$28.40 million (2019: HK\$31.22 million) respectively. As at 30 June 2020, the Group's unaudited net assets were HK\$529.04 million and the Group's total net bank borrowings (total bank borrowings less cash holding) were HK\$63.26 million, or approximately 12% of net assets.

Information on the Target Group

CR Sea (Malaysia) Sdn. Bhd, the Malaysian Subsidiary of the Target Group, was incorporated in April 2017 with business started in early 2018. Mr. Marcus Mu, Managing Director of the Malaysia Subsidiary since the beginning, had approximately 10 years' experience in building construction project management in Hong Kong before taking up this position, with the first seven years with China State Construction International Holdings Limited (a listed company in Hong Kong) and the following three years as project manager responsible for construction activities in CR Construction Company Limited, a wholly owned subsidiary of the Company. As such, he is well versed and experienced in building construction sector in Hong Kong which is very similar to that in Malaysia operation wise, as both jurisdictions use common law legal system. Mr. Marcus Mu will continue to serve as Managing Director of the Malaysia Subsidiary after completion of the Acquisition. From the start, though owned by a foreign company, the Malaysian Subsidiary strives to be a 'local firm' with a view to develop local business. As such, the Malaysia Subsidiary hires mostly local professionals. To date, it has about 50 employees, mostly local.

Based on the unaudited financial statements of the Target Group for the year ended 31 December 2019 which was prepared in accordance with Hong Kong Financial Reporting Standards, Target Group's revenue was HK\$76.21 million (2018: HK\$27.71 million) with gross loss of HK\$4.43 million (2018: HK\$5.33 million). Net loss for the year was HK\$9.23 million (2018: HK\$9.07 million). Such net losses were primarily due to early stages of businesses, which only started in early 2018, under comparatively higher administrative costs of HK\$4.49 million (2018: HK\$3.17 million).

For the six months to 30 June 2020, Target Group's unaudited revenue was HK\$44.20 million with gross loss of HK\$1.45 million. Overall unaudited net loss for the period was HK\$6.06 million. As at 30 June 2020, Target Group's total unaudited current assets were HK\$109.89 million, of which trade receivables were HK\$82.30 million; whereas total unaudited current liabilities were HK\$134.54 million, of which shareholder's loans were HK\$112.55 million. Net liabilities were HK\$23.72 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on information provided by the Company, we understand the Target Group is currently working on five residential building projects in Malaysia with total contract sum and variation orders (i.e. orders placed by customers during the course of project execution due to changes to part of the works that are necessary for the completion of the project) of approximately RM526.6 million (HK\$1,005.8 million) as at the date of the Share Purchase Agreement from different property developers in that country. These building contracts have expected completion dates from March 2021 to May 2023. The construction work projects on hands mainly include the following:

- (i) the development of two blocks of 41-storey service flats for a total contract sum and variation orders of RM295.8 million,
- (ii) building and external works for one block of 5-storey building with office floors for a total contract sum and variation orders of approximately RM36.34 million,
- (iii) foundation and basement works for two blocks of hotel suites consisting of 23 floors and additional works to be done on an existing hotel for a total contract sum and variation orders of approximately RM26.87 million;
- (iv) building works for two blocks of residential services apartments consisting of 29-storey for each block for a total contract sum and variation orders of approximately RM165.59 million, and
- (v) piling and pile cap works for a block of 5-storey building for a total contract sum and variation orders of approximately RM2.0 million.

The Malaysian Subsidiary has also entered into four memoranda of understanding in connection with the construction works for high-rise service apartments, hotel and residential flats, including

- (i) the development of a block of 5-storey residential project;
- (ii) building works for two blocks of residential services apartments consisting of 21 & 22-storey for each block;
- (iii) commercial development projects; and
- (iv) property development projects consisting of (a) 3 to 4-storey shop lots, bazar and parking lots and (b) residential service apartment with 500 units and commercial retail lots.

As at the date of the Share Purchase Agreement, the amount of contracts completed was around RM113 million (HK\$215 million) with outstanding contract value of RM414 million (HK\$788 million) to be completed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Terms of the Acquisition

Consideration of the Acquisition

Under the Share Purchase Agreement, the Consideration payable by the Company shall be HK\$20 million in cash, after making reference to Target Group's after-tax profit target of not less than HK\$4 million for the year ending 31 December 2021, implying 5 times 2021 price earnings ("**Implied PE multiple**") for the Acquisition. In the event there is a shortfall in above mentioned profit target, the Seller shall reimburse the Company, upon finalization of Target Group's audited accounts, an amount equals to the actual profit shortfall in the year ending 31 December 2021 multiply by the Implied PE multiple. For the avoidance of doubt, if the audited after-tax profit of the Malaysian Subsidiary for the financial year ending 31 December 2021 equals to or more than the profit target, no Consideration Adjustment will be made. In the event the Malaysian Subsidiary reported an audited loss for the financial year ending 31 December 2021, the audited after-tax profit for the purpose of the Share Purchase Agreement would be treated as zero.

The consideration of HK\$20 million for the Acquisition under the Share Purchase Agreement was made by reference to Target Group's after-tax profit target of not less than HK\$4 million for 2021. We understand such profit target was determined by the Target Group after making reference to existing construction contracts on hand and those contracts expected to be secured in 2021. Under the Share Purchase Agreement, in the event there was a shortfall in the above profit target, compensation representing the Implied PE Multiple times the amount of the Shortfall would have to be made by the Seller to the Group. With the above adjustment mechanism in place, we are of view that the consideration for the Acquisition has accorded certain protection to the Group by reference to the Target Group's 2021 profit and is thus fair and reasonable.

Based on Target Group's existing contracts on hand, and considering its expected gross profit margins ranging from 2% to 4% for such contracts, we have, on a sampling basis, obtained and reviewed the cost reports of the projects which have commenced and understand from the management the cost structures and interim payment certificates for the value of works completed in 2020 with coverage of over 50% of the revenue during the same year. According to Frost and Sullivan, the gross profit margin of building construction works in Malaysia generally ranges from 5-15%. As such, we are of the view that the profit target for year ending 31 December 2021 so arrived is reasonable under current market condition and circumstances.

We have conducted a comparable analysis by making reference to P/Es of companies listed on the Hong Kong Stock Exchange ("**HKSE**") as well as on Bursa Malaysia engaging in similar business as that of the Target Group (the "**Comparable Companies**"). We have selected companies which (i) have market capitalisation of less than HK\$500 million and (ii) engaged in similar business as that of the Target Group (i.e. over 50% revenue derived from building construction contracting business). In that regard, we have excluded those companies whose focus are on civil engineering business (building bridges, roads, tunnels etc.) which requires a different set of management expertise compared to building construction, electrical

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and mechanical installation works for buildings and/or foundation construction. These comparable companies represent an exhaustive list of comparable companies we were able to identify from the Stock Exchange's website satisfying the above selection criteria.

Set forth below are the identified Comparable Companies listed on HKSE based on the aforementioned criteria as at the Latest Practicable Date:

| Stock code | Company name | Market capitalization as at the Latest Practicable Date (HK\$ in million) | P/E (x) as at the Latest Practicable Date |
|------------|---|--|---|
| 1. 406 | Yau Lee Holdings Limited | 429 | N/A ^(note 1) |
| 2. 983 | SOCAM Development Limited | 464 | 66 |
| 3. 1420 | Chuan Holdings Limited | 85 | 14 |
| 4. 1459 | Jujiang Construction Group Co., Ltd | 87 | 1 |
| 5. 1546 | Thelloy Development Group Limited | 144 | 11 |
| 6. 1552 | BHCC Holding Limited | 104 | 324 |
| 7. 1582 | CR Construction Group Holdings Limited | 265 | 5 |
| 8. 1647 | Grandshores Technology Group Limited (formerly SHIS Limited) | 226 | N/A ^(note 1) |
| 9. 1667 | Milestone Builder Holdings Ltd | 264 | N/A ^(note 1) |
| 10. 1693 | BGMC International Limited | 54 | N/A ^(note 1) |
| 11. 1742 | HPC Holdings Limited | 171 | 2 |
| 12. 1793 | Wecon Holdings Limited | 143 | 3 |
| 13. 1953 | Rimbaco Group Global Ltd | 257 | 11 |
| 14. 3728 | Ching Lee Holdings Limited | 188 | 15 |
| 15. 8259 | Hon Corporation Limited | 321 | N/A ^(note 1) |
| 16. 8262 | Super Strong Holdings Limited | 224 | 95 |
| 17. 8268 | Smart City Development Holdings Ltd, (formerly Deson Construction International Holdings Ltd) | 73 | N/A ^(note 1) |
| 18. 9998 | Kwan Yong Holdings Limited | 194 | N/A ^(note 1) |
| | Mean (excluding the outliers) | | 8 ^(note 2) |
| | Median (excluding the outliers) | | 8 ^(note 2) |

Note 1: These companies recorded net losses in their latest financial year.

Note 2: Mean and Median calculation had excluded PEs of those outliers including SOCAM Development Limited, Super Strong Holdings Limited and BHCC Holding Limited.

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We found both of the mean and median PE ratios of Comparable Companies listed on HKSE were approximately 8 times respectively. The Implied PE multiple of 5 with respect to the Acquisition represented a discount of approximately 37.5% to the mean and median PE ratios of the Comparable Companies mentioned above respectively.

Set forth below are the identified Comparable Companies listed on Bursa Malaysia based on the aforementioned criteria as at the Latest Practicable Date:

| Stock code | Company name | Market capitalization as at the Latest Practicable Date <i>(HK\$ in million)</i> | P/E (x) as at the Latest Practicable Date |
|------------|--|--|---|
| 1. 7145 | Ageson Bhd (formerly Prinsiptek Corporation Bhd) | 213 | 3 |
| 2. 7078 | Ahmad Zaki Resources Berhad | 365 | N/A <i>(note 1)</i> |
| 3. 8591 | Crest Builder Holdings Berhad | 254 | 7 |
| 4. 7047 | Fajarbaru Builder Group Bhd | 373 | 6 |
| 5. 0192 | Inta Bina Group Berhad | 317 | 7 |
| 6. 9628 | Lebtech Berhad | 265 | N/A <i>(note 1)</i> |
| 7. 5085 | Mudajaya Group Berhad | 378 | N/A <i>(note 1)</i> |
| 8. 0206 | Gagasan Nadi Cergas berhad | 460 | 9 |
| 9. 8311 | Pesona Metro Holdings Berhad | 330 | 15 |
| 10. 6807 | Puncak Niaga Holdings Berhad | 349 | N/A <i>(note 1)</i> |
| 11. 5006 | Stella Holdings Berhad | 105 | 19 |
| 12. 0221 | TCS Group Holdings Berhad | 398 | 13 |
| 13. 5268 | Top Builders Capital Berhad | 126 | N/A <i>(note 1)</i> |
| 14. 5054 | TRC Synergy Berhad | 359 | 10 |
| 15. 5042 | TSR Capital Berhad | 98 | 3 |
| 16. 7028 | Zecon Berhad | 140 | 2 |
| 17. 2283 | Zelan Berhad | 180 | 35 |
| 18. 5129 | Melati Ehsan Holdings Berhad | 112 | 23 |
| | Mean (excluding the outliers) | | 10 <i>(note 2)</i> |
| | Median (excluding the outliers) | | 8 <i>(note 2)</i> |

Note 1: The company recorded net loss in its latest financial year.

Note 2: Mean and Median calculation had excluded the PEs of those outliers including Zelan Berhad.

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We found each of the mean and median PE ratios of Comparable Companies listed on Bursa Malaysia were approximately 10 times and 8 times respectively. The Implied PE multiple of 5 with respect to the Acquisition represented a discount of approximately 50.0% and 38.5% to the mean and median PE ratios of the Comparable Companies mentioned above respectively.

From both tables above, we note the Implied PE multiple represented discounts of approximately 37.5% to the average PE multiple of Comparable Companies listed on HKSE and approximately 50.0% to the average PE multiple of Comparable Companies listed on Bursa Malaysia. We are of the view that such significant discount is reasonable given that the Target Group has a much shorter operating history compared to the Comparable Companies and is still a loss making private company. In view of the above, we are of the opinion that the Implied PE multiple is fair and reasonable so far as the Consideration for the Acquisition is concerned.

Assignment of trade receivables and partial settlement of shareholder's loans in Target Group's accounts

Prior to the Completion, the Malaysian Subsidiary, Target Company and the Seller will enter into a Deed of Assignment and Settlement whereby the entire amount of trade receivables' loan standing in the accounts of the Malaysian Subsidiary as at the date that is five Business Days prior to Completion shall be assigned to settle the shareholder's loan as at the same date. As at the Latest Practicable Date, the Malaysian Subsidiary had trade receivables of approximately HK\$133.49 million and shareholder's loan of approximately HK\$137.68 million. The aggregate amount of accounts receivables and total Shareholder's Loans was HK\$82.30 million and HK\$112.55 million respectively as at 30 June 2020.

Assuming the amount of trade receivables and shareholder's loan remained unchanged on the date of Completion of the Acquisition, the full amount of trade receivables of HK\$133.49 million would be assigned to settle shareholder's loan of HK\$137.68 million, leaving a balance of shareholder's loan of HK\$4.19 million outstanding.

Under the Deed of Assignment and Settlement, balance of shareholder's loan at the time of Completion, has no fixed repayment date, is interest-free and will only have to be repaid to the Seller when the Target Group (i) becomes profitable, (ii) has positive operating cash flow and (iii) has positive net assets.

We are of the view that the above set-off arrangement is beneficial to the Company as it would substantially reduce the amount of Target Group's shareholder's loan while alleviating any concern on collectability of account receivables. In addition, the fact that there is no fixed repayment date of the balance of shareholder's loan to the Seller demonstrates continued support of the controlling shareholder to the Company. Based on the above, we are of the opinion the Deed of Assignment and Settlement is in the interests of the Independent Shareholders.

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Reasons for the Acquisition

Historically, the Group is principally engaged in contractor services for building construction works and repair, maintenance, alteration and addition works projects across public and private sectors in Hong Kong. While Hong Kong is the Group's business home base and the Group shall continue to develop its building construction business here, the Acquisition will allow the Group to expand into Malaysia, which is a developing market with growth potential and benefits from the PRC's Belt and Road Initiative, leveraging on the Target Group's expertise, experience and resources in building construction works and projects in Malaysia, thereby diversifying the Group's business risk geographically and enlarging the business scale, revenue and customer base of the Group, which is expected to benefit the Company and its shareholders in the long term.

Malaysian economy

During the period from 2015 to 2019, Malaysia's GDP registered a compound average growth rate ("CAGR") of approximately 4.9% p.a., higher than 1.9% p.a. for Hong Kong¹. The country's economic growth contributed to improving living standards of its citizens and an increase in urbanization, from 74.2% in 2015 to 76.2% in 2019² and is expected to reach 77.7% by 2024. The growth in population³ and population movement from rural to urban cities is expected to sustain the building construction activities in Malaysia in order to meet the growing need of the community for living, education, commercial area, government infrastructure and medical facilities etc.

Due to outbreak of COVID-19, in March 2020, Malaysian Government implemented movement control order (MCO) stipulating the closure of all public and private premises, except essential businesses, until 3 May 2020⁴. Effective from 4 May 2020 onward, the Malaysia government has allowed most economic sectors and business activities to operate based on the terms and operating procedures set by the relevant authorities such as social distancing, recording the names and telephone numbers of visitors and the dates of their visits etc.

As a result of the MCO, Malaysia's 2020 second quarter GDP registered a 17.1% decline, on a year-on-year basis. However, with the relaxation of MCO from 4 May 2020, Malaysia's GDP rebounded significantly in the third quarter of 2020 even though, on a year-on-year basis, third quarter GDP figure was still down by 2.7%⁵. In October 2020, the International Monetary Fund expects Malaysia's GDP to post a 6.0% year-on-year decline in 2020 but will rise by 7.8% in 2021⁶.

¹ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=MY>

² https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=323&bul_id=c3JpRzRqeTNPamMxL1FpTkNBNUVBQT09&menu_id=amVoWU54UT10a21NWmdhMjFMMWcyZz09

³ <https://www.imf.org/en/Countries/MYS#countrydata>

⁴ <https://www.mdbc.com.my/mco-updates/>

⁵ <https://www.malaymail.com/news/malaysia/2020/11/13/malysias-economy-recovers-from-record-low-gdp-of-17.1pc-in-q2-2020-to-2.7p/1922263#:~:text=In%20the%20second%20quarter%20of,GDP%20growth%20was%20in%202009>

⁶ <https://www.imf.org/en/Countries/MYS>

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Malaysian construction market

Based on Malaysian building construction market study in November 2020 by Frost & Sullivan, an independent industry consultant, the value of construction work in Malaysia increased from RM102.5 billion (HK\$194.8 billion) in 2014 to RM146.4 billion (HK\$278.2 billion) in 2019, representing a CAGR of approximately 7.4%. Civil engineering sector and special trades (such as demolition, electrical and mechanical works, renovation works etc.) have registered the largest CAGRs of approximately 14.9% and 8.2% from 2014 to 2019 respectively, supported by a number of major infrastructure projects. Building construction sector has increased steadily with both residential sector and commercial and industrial sector reached RM35.8 billion (HK\$68.0 billion) and RM37.6 billion (HK\$71.4 billion) in 2019 respectively⁷.

The outbreak of COVID-19 and MCO in early 2020 caused delays and tender disruptions on construction projects, which is expected to result in a fall of construction industry in Malaysia in 2020. However, with the release of Budget 2021 which called for continued development of a number of sizeable infrastructure projects in Malaysia and the control of COVID-19, it is forecasted that the value of construction work would recover and reach RM159.4 billion (HK\$302.9 billion) in 2024, with a CAGR of approximately 6.7% from 2020 to 2024⁸.

Historically, Malaysian based construction companies dominated the construction and civil engineering works market, particularly those relating to infrastructural projects, within the country. However, for the past decade or so and taking advantage of China's Belt and Road initiative to invest in ASEAN countries⁹, a number of Chinese construction groups have established subsidiaries with a focus to undertake building construction works and serving as main contractors in large-scale construction projects in Malaysia. Leveraging their proven track record and industry recognition gained internationally including Hong Kong as well as an extensive client network of private property developers, Frost & Sullivan is of the view that reputable international construction companies such as CR Sea (Malaysia) Sdn. Bhd. are able to replicate the success of business model and industry practice in Malaysia and is well-positioned to capture opportunities in that market.

Financial effects of the Acquisition

Earnings

Under the Share Purchase Agreement, Target Group has a profit target of HK\$4 million for the year ending 31 December 2021. On the basis, the Group's earnings are expected to be accretive taking into consideration the Target Group's profit for 2021.

⁷ <https://www.cidb.gov.my/sites/default/files/2020-03/CIDB-Annual-Report-2018.pdf>

⁸ <https://newss.statistics.gov.my/newss-portalx/ep/epFreeDownloadContentSearch.seam?cid=360627>

⁹ <https://www.asiainsurancereview.com/Magazine/ReadMagazineArticle?aid=39940>

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Net assets

As at 30 June 2020, the Group's unaudited net assets were HK\$529.04 million. As at the same date, the unaudited net liabilities of the Target Group were HK\$23.72 million. Assuming such net liabilities remained unchanged, the Group's pro forma unaudited net assets as at 30 June 2020, assuming Completion of the Acquisition took place on 30 June 2020, would have been approximately HK\$485.32 million (after adjustment for cash consideration of HK\$20 million payable for the Acquisition), approximately 8.3% lower compared to the Group's net assets before the Acquisition.

Gearing

As at 30 June 2020, the Group's total net bank borrowings (total bank borrowings less cash holding) were HK\$63.26 million, or approximately 12% of net assets. Upon Completion of the Acquisition and assuming all June 2020 figures for the Group and those of the Target Group remained unchanged, the pro forma enlarged Group's net borrowings as at 30 June 2020, calculated based on (1) Group's total net bank borrowings of HK\$63.26 million; (2) balance of shareholder's loan of HK\$4.19 million left standing in the accounts of the Target Group after set-off arrangement as mentioned above and (3) less cash consideration of HK\$20 million payable under the Acquisition, would be around HK\$87.45 million or approximately 18.0% of the Group's pro forma net assets of HK\$485.32 million following the Acquisition (being the Group's unaudited net assets of HK\$529.04 million as at 30 June 2020 less cash consideration of HK\$20 million payable for the Acquisition and unaudited net liabilities of HK\$23.72 million of the Target Group as at 30 June 2020).

Having considered the following factors, we are of the view that the terms of the Acquisition, while not in the normal and ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole due to the following reasons:

- The Acquisition allows the Group to expand its building construction expertise and footprint into Malaysia, which is a much bigger and developing market compared to that in Hong Kong with good growth potential. Although the outbreak of COVID-19 resulted in the implementation of MCO by the Malaysian Government in March 2020, which caused delays and tender disruptions on construction projects, is expected to result in a fall of construction industry in Malaysia in 2020, the Malaysian Government has continued to embark on the development of a number of sizeable infrastructure projects in Malaysia. With the control of Covid-19 and under such development, it is forecasted that the value of construction work in Malaysia would recover and reach RM159.4 billion (HK\$302.9 billion) in 2024, with a CAGR of approximately 6.7% from 2020 to 2024.
- Consideration of the Acquisition makes reference to Target Group's after-tax profit target of HK\$4 million for year ending 31 December 2021 and the adjustment mechanism under the Share Purchase Agreement, to a certain extent, ensures such consideration makes reference to the Implied PE multiple of 5. The above Implied PE multiple represented discounts of approximately 37.5% to the average PE multiple of Comparable Companies listed on HKSE and approximately 50.0% to the

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average PE multiple of Comparable Companies listed on Bursa Malaysia. We are of the view that the above discounts are reasonable as the Target Group has a much shorter operating history compared to the Comparable Companies and is still a loss making private company. In view of the above, we are of the opinion the Implied PE multiple is fair and reasonable so far as the Consideration for the Acquisition is concerned.

- the Deed of Assignment and Settlement is beneficial to the Company as such arrangement would substantially reduce the amount of Target Group's shareholder's loan while alleviating any concern on collectability of its account receivables.
- Following the above-mentioned assignment arrangement, balance of shareholder's loan is interest-free and has no fixed repayment date demonstrates continued support of the controlling shareholder to the Company and as such is in the interests of the Company and its shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider the terms of the Acquisition while not in the ordinary and usual course of business of the Group, is on normal commercial terms and fair and reasonable and in the interests of the Group and Shareholders as a whole and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to approve the Acquisition at the upcoming EGM.

Yours faithfully

For and on behalf of

Alliance Capital Partners Limited

David Tsang

Responsible Officer

Danielle Yau

Vice President

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 Group. The Directors, having made all reasonable enquiries, 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) Interest in the Shares, underlying Shares and debentures of the Company and its associated corporations

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 and debentures of the Company or 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 provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

| Name of Directors | Capacity | Number of ordinary shares held (long position) | Number of underlying shares held (long position) | % of the Company's issued share capital |
|-------------------|------------------|--|--|---|
| Mr. GUAN Manyu | Beneficial owner | 1,000,000 | 1,000,000 | 0.20% |
| Mr. LI Kar Yin | Beneficial owner | 1,000,000 | 1,000,000 | 0.20% |
| Ms. CHU Ping | Beneficial owner | 300,000 | 300,000 | 0.06% |
| Mr. LAW Ming Kin | Beneficial owner | 500,000 | 500,000 | 0.10% |
| Mr. CHAN Tak Yiu | Beneficial owner | 100,000 | 100,000 | 0.02% |
| Mr. YANG Haojiang | Beneficial owner | 500,000 | 500,000 | 0.10% |

Save as disclosed above, none of the Directors nor the chief executive and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the

meaning of Part XV of the SFO) as at the Latest Practicable Date, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares and underlying Shares, which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Substantial Shareholders | Capacity | Number of ordinary shares held (long position) | Number of underlying shares held (long position) | % of the Company's issued share capital |
|--|---|---|---|--|
| Zhejiang State-owned Capital Operation Company Limited | Interest in a controlled corporation ¹ | 361,150,000 | 361,150,000 | 72.23% |
| Dohia Group Co., Ltd. | Interest in a controlled corporation ¹ | 361,150,000 | 361,150,000 | 72.23% |
| Zhejiang Construction Investment Group Co., Ltd. | Interest in a controlled corporation ¹ | 361,150,000 | 361,150,000 | 72.23% |
| Zhejiang Construction Group (H.K.) Holdings Limited | Interest in a controlled corporation ¹ | 361,150,000 | 361,150,000 | 72.23% |
| China Zhejiang Construction Group (H.K.) Limited | Interest in a controlled corporation ¹ | 361,150,000 | 361,150,000 | 72.23% |
| CR Construction Investments Limited | Beneficial owner ¹ | 361,150,000 | 361,150,000 | 72.23% |
| Ning Shing (Holdings) Company Limited | Beneficial owner ² | 25,000,000 | 25,000,000 | 5.00% |

Notes:

1. CR Construction Investments Limited directly holds 361,150,000 Shares in the Company. CR Construction Investments Limited is a wholly-owned subsidiary of China Zhejiang Construction Group (H.K.) Limited, which is in turn a wholly-owned subsidiary of Zhejiang Construction Group (H.K.) Holdings Limited. Zhejiang Construction Group (H.K.) Holdings Limited is a wholly-owned subsidiary of Zhejiang Construction Investment Group Co., Ltd., which is in turn wholly-owned by Dohia Group Co., Ltd. Zhejiang State-owned Capital Operation Company Limited holds 37.90% interests in Dohia Group Co., Ltd. By virtue of the SFO, each of China Zhejiang Construction Group (H.K.) Limited, Zhejiang Construction Group (H.K.) Holdings Limited, Zhejiang Construction Investment Group Co., Ltd., Dohia Group Co., Ltd. and Zhejiang State-owned Capital Operation Company Limited is deemed to have an interest in the Shares held by CR Construction Investments Limited.
2. Ning Shing (Holdings) Company Limited (“**Ning Shing**”) directly holds 25,000,000 Shares of the Company. Ning Shing is a state-owned company wholly owned by the Ningbo Municipal Government established in Hong Kong in May 1995.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other persons (other than the Directors and the chief executive of the Company) who had any interest or short position in the Shares or underlying Shares that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Other than the Directors disclosed in the paragraph headed “3. INTERESTS IN COMPETING BUSINESS”, as at the Latest Practicable Date, the Directors and the chief executive of the Company were also not aware of any other Director who was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, each of Mr. Guan Manyu, Ms. Chu Ping and Mr. Yang Haojiang are Directors of the Company and also hold directorships and/or management positions in the Seller. The Seller is a controlling shareholder of the Company and is principally engaged in (i) building construction business in the Asia Pacific region excluding Hong Kong and Macau; and (ii) holding interests in companies engaging working capital management in Hong Kong, financial leasing, civil engineering; and property management in the PRC. As the Seller does not intend to conduct any building construction business in Hong Kong and it has executed the Non-Competition Deed, the Directors are of the view that potential competition, if any, between the business of the Seller and the business of the Group is limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

4. INTERESTS IN CONTRACTS, ARRANGEMENTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have 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 Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the three years ended 31 December 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.cr-construction.com.hk/>).

- 2020 interim report (pages 19 to 36):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0911/2020091101213.pdf>
- 2019 annual report (pages 50 to 111):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801304.pdf>
- Prospectus of the Company dated 27 September 2019 (pages I-1 to I-71):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0927/2019092700017.pdf>

6. EXPERTS AND CONSENTS

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

| Name | Qualifications |
|-----------------------------------|--|
| Alliance Capital Partners Limited | A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| Frost & Sullivan | Independent market research consultant |

As at the Latest Practicable Date, each of the above experts:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and

- (2) had no interests, direct or indirect, in any assets which had been, since 31 December 2019 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report or opinion and reference to its name in the form and context in which they respectively appear.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the principal place of business of the Company in Hong Kong at Units 3–16, 32/F. Standard Chartered Tower, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including 13 January 2021:

- (a) the Share Purchase Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (d) Malaysian building construction market study report prepared by Frost & Sullivan;
- (e) the written consent of the experts referred to in the paragraph headed “6. Experts and Consents” in this Appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of CR Construction Group Holdings Limited (the “**Company**”) will be held at Room 201, 2/F Pico Tower, 64–66 Gloucester Road, Wan Chai, Hong Kong on 20 January 2021 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the share purchase agreement dated 30 November 2020 (the “**Share Purchase Agreement**”, a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose) pursuant to which, among others, the Company has conditionally agreed to acquire and China Zhejiang Construction Group (H.K.) Limited (中國浙江建設集團(香港)有限公司) has conditionally agreed to sell the entire issued share capital of Triumph Success Developments Limited (the “**Acquisition**”), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with or to give effect to the Acquisition and the transactions contemplated under the Share Purchase Agreement (including any amendment, supplement and/or any waiver of any terms thereunder.”

By order of the Board
CR Construction Group Holdings Limited
Guan Manyu
Chairman

Hong Kong, 31 December 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. In order to determine entitlements of the shareholders of the Company to attend and vote at the extraordinary general meeting of the Company to be held on 20 January 2021 (the “EGM”), the register of members of the Company will be closed from 15 January 2021 to 20 January 2021, both days inclusive, during which period no transfer of Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 14 January 2021.
2. A shareholder entitled to attend and vote at the EGM is entitled to appoint a person or persons (who must be individual) as his or her proxy or proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
4. Delivery of an instrument appointing a proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof; in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. If Typhoon Signal No. 8 or above is hoisted, or a “black” rainstorm warning signal or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at <https://www.cr-construction.com.hk/> and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.