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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 Wan Kei Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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WAN KEI GROUP HOLDINGS LIMITED

宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

**(I) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



Placing Agent



貝塔國際證券
BETA INTERNATIONAL SECURITIES

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



Capitalised terms used on this cover page shall have the same meaning as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 10 to 33 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 34 to 35 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-25 of this circular.

A notice convening the EGM to be held on Thursday, 13 March 2025 at 2:30 p.m. by way of virtual meeting is set out on pages EGM-1 to EGM-6 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions set out in the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placers under the Compensatory Arrangements. The Placing Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

Hong Kong, 18 February 2025

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DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 17 January 2025 in relation to, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Companies Registry”	Companies Registry of Hong Kong
“Company”	Wan Kei Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1718)

DEFINITIONS

“Compensatory Arrangements”	arrangements to place the Unsubscribed Shares and NQS Unsold Rights Share by the Placing Agent on a best effort basis to investors who (or as the case maybe, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.21(1)(b) of the Listing Rules
“connected person”	has the meaning as ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“General Rules of HKSCC”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$20,000,000 divided into 200,000,000 Shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each by creating an additional 800,000,000 unissued Shares with of HK\$0.10 each to rank pari passu in all respects with the existing Shares
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Silver Nile Global Investments Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than those who are involved or have interests in the Rights Issue, the Placing Agreement and the transactions contemplated thereunder and are required under the Listing Rules to abstain from voting at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Latest Practicable Date”	13 February 2025, being the latest practicable date for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Last Trading Day”	17 January 2025, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 10 April 2025 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	5:00 p.m. on Tuesday, 29 April 2025 or such later time or date as may be agreed between the Placing Agent and the Company, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Issue (whether partially or fully) (under the PAL or their renounces or such person who hold any nil-paid rights at the time such nil-paid rights are lapsed) or Excluded Shareholders (as the case may be)
“NQS Unsold Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	arrangements to place the Unsubscribed Shares and NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement

DEFINITIONS

“Placing Agent”	Beta International Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, which will place the Unsubscribed Shares and NQS Unsold Rights Shares to investors who are Independent Third Parties under the Compensatory Arrangements
“Placing Agreement”	the placing agreement dated 17 January 2025 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Period”	the period from Tuesday, 22 April 2025 up to 4:00 p.m. on the fifth (5th) business day after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares, being Monday, 28 April 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements
“Placing Price”	not less than HK\$0.2 per Unsubscribed Share
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Prospectus Posting Date”	Wednesday, 26 March 2025 (or such other date as may be determined by the Company), being the date the Prospectus Documents are made available and/or despatched (as the case may be) to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date

DEFINITIONS

“Record Date”	Tuesday, 25 March 2025, the record date for the determination of the entitlements under the Rights Issue
“Registrar”	Tricor Investor Services Limited, the address of which is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every one (1) Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to set out in the section headed “Letter from the Board – Conditions of the Rights Issue” in this circular
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue, being 115,200,000 Shares (assuming no other change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.2 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeover Code”	the Code on Takeovers and Mergers of Hong Kong
“Unsubscribed Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and Rights Shares which would otherwise have been allotted to the Excluded Shareholders (as the case may be)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Increase in Authorised Share Capital and the Rights Issue. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Increase in Authorised Share Capital and the Rights Issue and is therefore for indicative purposes only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to the Hong Kong local times and dates.

Events	Hong Kong Date and Time 2025
Latest time for lodging transfer documents of the Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Thursday, 6 March
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive)	Friday, 7 March to Thursday, 13 March
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	2:30 p.m. on Tuesday, 11 March
Record date for determining attendance and voting at the EGM	Thursday, 13 March
Expected date and time of EGM to approve the Rights Issue	2:30 p.m. on Thursday, 13 March
Announcement of the poll result of the EGM	Thursday, 13 March
Effective date of the Increase in Authorised Share Capital	Thursday, 13 March
Register of members of the Company re-opens	Friday, 14 March
Last day of dealings in the Shares on a cum-rights basis relating to the Rights Issue	Friday, 14 March
First day of dealings in the Shares on an ex-rights basis relating to the Rights Issue	Monday, 17 March
Latest time for the Shareholders to lodge transfer documents of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Tuesday, 18 March

EXPECTED TIMETABLE

Events	Hong Kong Date and Time 2025
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Wednesday, 19 March to Tuesday, 25 March
Record date for the Rights Issue	Tuesday, 25 March
Register of members of the Company re-opens	Wednesday, 26 March
Prospectus Documents are made available and/or despatched (as the case may be) (in case of the Excluded Shareholders, the Prospectus only)	Wednesday, 26 March
First day of dealings in nil-paid Rights Share	Friday, 28 March
Latest time for splitting the PAL	4:30 p.m. on Tuesday, 1 April
Last day of dealings in nil-paid Rights Shares	Monday, 7 April
Latest time for lodging the transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangement	4:00 p.m. on Thursday, 10 April
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Thursday, 10 April
Announcement of the number of the Unsubscribed Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements	Thursday, 17 April
Commencement of placing of the Unsubscribed Shares and the NQS Unsold Rights Shares by the Placing Agent, on best effort basis	Tuesday, 22 April
Latest time for placing the Unsubscribed Shares and the NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 28 April
Latest time for the termination of the Placing Agreement	5:00 p.m. on Tuesday, 29 April

EXPECTED TIMETABLE

Events	Hong Kong Date and Time 2025
Announcement of the results of the Rights Issue (including results of the Placing and the Net Gain per Unsubscribed Share and NQS Unsold Rights Share under the Compensatory Arrangements)	Thursday, 8 May
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if the Rights Issue is terminated)	Friday, 9 May
Commencement of dealings in fully-paid Rights Shares	Monday, 12 May
Payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Friday, 16 May

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

- (i) tropical cyclone warning signal No. 8 (or above);
- (ii) “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
- (iii) a “black” rainstorm warning
 - (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “Expected Timetable” above may be affected. Announcement will be made by the Company in such event. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



WAN KEI GROUP HOLDINGS LIMITED

宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

Executive Directors:

Mr. Bai Huawei

Mr. Wang Yu

Non-executive Directors:

Mr. Xu Lin (Chairman)

Mr. Lui Kwok Wai

Independent non-executive Directors:

Mr. Jiang Senlin

Mr. Zhang Yi

Ms. Dan Xi

Registered office:

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit No. 07, 16/F

Emperor Group Center

No. 288 Hennessy Road, Wanchai

Hong Kong

18 February 2025

To the Shareholders

Dear Sir/Madam,

**(I) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, and the announcement of the Company dated 27 January 2025 in relation to the Increase in Authorised Share Capital.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM for the purpose of considering and, if thought fit, approving, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the existing authorised share capital of the Company is HK\$20,000,000 divided into 200,000,000 Shares of HK\$0.10 each. As at the Latest Practicable Date, 115,200,000 Shares are in issue and 84,800,000 Shares are authorised but unissued.

In order to accommodate the future expansion and growth of the Group and to provide the Company with the flexibility to raise funds by the Rights Issue, the Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 divided into 200,000,000 Shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each by creating an additional 800,000,000 unissued Shares to rank pari passu in all respects with the existing Shares.

Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM. The Increase in Authorised Share Capital is not conditional upon the Independent Shareholders' approval on the Rights Issue. The Board believes that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.2 per Rights Share

LETTER FROM THE BOARD

Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.1858 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	115,200,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 115,200,000 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	up to HK\$11,520,000 (assuming no Shares are issued or repurchased on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	:	up to 230,400,000 Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Gross proceeds from the Rights Issue	:	up to approximately HK\$23.0 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date)

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, the 115,200,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 100.0% of the total number of issued Shares and 50.0% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Unsubscribed Shares together with the NQS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements on a best efforts basis. Any Unsubscribed Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

LETTER FROM THE BOARD

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s), or transferees of nil-paid Rights Shares (or either of them, whichever shall be appropriate), may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

As at the Latest Practicable Date, the Board has not received any information or undertaking from any substantial shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.2 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 45.21% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 29.82% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.97% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.294;
- (iv) a discount of approximately 36.31% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.314;
- (v) a discount of approximately 17.53% to the theoretical ex-rights price of approximately HK\$0.2425 per Share based on the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 17.64% represented by the theoretical diluted price of approximately HK\$0.2545 to the benchmarked price of approximately HK\$0.309 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.285 per Share and the average closing price of the Shares in the five trading days immediately prior to the date of the Announcement of HK\$0.309 per Share);
- (vii) a discount of approximately 74.36% to the consolidated net asset value per Share attributable to the Shareholders as at 31 March 2024 of approximately HK\$0.78 calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$90,322,000 as set out in the annual report of the Company for the year ended 31 March 2024 and 115,200,000 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 75.00% to the consolidated net asset value per Share attributable to the Shareholders as at 30 September 2024 of approximately HK\$0.80 calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$92,242,000 as set out in the interim report of the Company for the six months ended 30 September 2024 and 115,200,000 Shares in issue as at the Latest Practicable Date.

The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Subscription Price was determined taking into consideration (i) the recent market price of the Shares; (ii) the prevailing market conditions; (iii) the low trading volume of the Shares; and (iv) the amount of funds the Company intends to raise under the Rights Issue for the purposes described in the section headed “Letter from the Board – Reasons for and benefits of the Rights Issue and the use of proceeds”. The Directors consider that the Subscription Price at a discount to the current market price of the Shares would enhance the attractiveness of the Rights Issue, and in turn encourage the Shareholders to participate in the Rights Issue, and accordingly allow them to maintain their shareholdings in the Company and participate in the future growth and development of the Group.

LETTER FROM THE BOARD

The Directors were aware of the fact that the Subscription Price represents a discount of approximately 74.36% and 75.00% to the consolidated net asset value per Share of approximately HK\$0.78 per Share as at 31 March 2024 and approximately HK\$0.80 per Share as at 30 September 2024, respectively. However, it is also noted that during the period from 1 July 2024 up to the Last Trading Day (the “**Relevant Period**”), the Shares were traded at all time at a discount to the consolidated net asset value per Share. In particular, it was noted that the Shares were traded with discounts ranging from approximately 37.5% to 71.6% as compared to the unaudited consolidated net asset value per Share as at 30 September 2024 (the “**NAV Discount Range**”). Considering the level of closing price of the Shares and that the Shares had been consistently traded at a substantial discount to the unaudited consolidated net asset value per Share during the Relevant Period, the Directors were of the view that, when determining the Subscription Price, it would be more appropriate to make reference to the prevailing market price of the Shares which reflected the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share. Although the Subscription Price represents a discount of approximately 75.00% to the unaudited consolidated net asset value per Share as at 30 September 2024, which is slightly out of the NAV Discount Range, the Board considers that, if the Subscription Price was made with reference to the consolidated net asset value per Share, the willingness of the Shareholders to participate in the Rights Issue would be significantly reduced, which would not be favourable to the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that, in view of prevailing market conditions and factors as described above, the terms of the Rights Issue, including the Subscription Price, are on commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e., Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.1858 per Rights Share.

Basis of provisional allotment

Under the Rights Issue, the basis of the provisional allotment will be one (1) Right Share for every one (1) Share held by the Shareholders as at the close of business on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker’s cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

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Fractional entitlement to the Rights Shares

On the basis of the provisional allotment of one (1) Right Share for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue and no entitlements of the Excluded Shareholders to the Rights Shares shall be issued to the Excluded Shareholders. No odd lot matching services will be provided.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will make available and/or despatch (as the case may be) the Prospectus Documents to the Qualifying Shareholders. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may make available the Prospectus to the Excluded Shareholders for their information only but will not send any PAL to them.

To qualify for the Rights Issue, a Shareholder must: (i) be registered as a member of the Company at the close of business on the Record Date; and (ii) not an Excluded Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Tuesday, 18 March 2025.

The Company expects to make available and/or despatch (as the case may be) the Prospectus Documents to the Qualifying Shareholders on Wednesday, 26 March 2025.

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Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Certificates of the Rights Shares and refund cheques

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Friday, 9 May 2025 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Friday, 9 May 2025 by ordinary post to the respective applicants, at their own risk. Shareholders, except HKSCC Nominees Limited, will receive one share certificate for all the Rights Shares in fully-paid form, allotted and issued to those entitled.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing in nil-paid and fully-paid forms

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 5,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the rights shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

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Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Rights of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

As at the Latest Practicable Date, there are no Overseas Shareholders based on the register of members of the Company. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will make available the Prospectus (without the PAL) and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue to the Excluded Shareholders for their information only.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares. The Company reserves the right to treat as invalid any acceptances of, or applications for, the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

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Procedures in respect of the Unsubscribed Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of any Unsubscribed Shares and the NQS Unsold Rights Shares by offering such Unsubscribed Shares and the NQS Unsold Rights Shares to independent placees for the benefit of those Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated by Rule 7.21(1)(a) of the Listing Rules.

The Company appointed the Placing Agent to place the Unsubscribed Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to the relevant No Action Shareholders and Excluded Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 28 April 2025, acquirers for all (or as many as possible) of those Unsubscribed Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the relevant No Action Shareholders and Excluded Shareholders as set out below:

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for, and where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL and where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and
- (ii) for Excluded Shareholders, the relevant Excluded Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) and Excluded Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

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Closure of register of members for EGM

The register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025 (both dates inclusive) for the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

Closure of register of members for Rights Issue

The register of members of the Company will be closed from Wednesday, 19 March 2025 to Tuesday, 25 March 2025 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

PLACING AGREEMENT

Principal terms of the Placing Agreement are as follow:

Placing Agent : Beta International Securities Limited

The Placing Agent is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO.

Placing commission : subject to completion of the Placing taking place, the Company shall pay a placing commission of 3.0% of the actual gross proceeds from the subscription of the Unsubscribed Shares and the NQS Unsold Rights Shares under the Placing (the “**Placing Commission**”)

Placing price : not less than HK\$0.2 per Unsubscribed Share and the NQS Unsold Rights Shares

Placing Period : a period commencing from the first (1st) Business Day immediately after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares (i.e. Thursday, 17 April 2025 under the current timetable) and ending on 4:00 p.m. on the fifth (5th) business day after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares (both days inclusive)

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Placees : The Unsubscribed Shares and NQS Unsold Rights Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and not acting in concert with the Placing Agent and its concert parties.

For the avoidance of doubt, no placee will become a substantial Shareholder.

Ranking of the placed Unsubscribed Shares and NQS Unsold Rights Shares : The placed Unsubscribed Shares and NQS Unsold Rights Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

- (i) the Rights Issue having become unconditional;
- (ii) the Company's warranties contained in the Placing Agreement remaining true and accurate and not misleading in all material respects at all times prior to the date of completion of the Placing;
- (iii) the Listing Committee granting the listing of, and permission to deal in, the Unsubscribed Shares and the NQS Unsold Rights Shares with or without conditions;
- (iv) none of the Placees becoming a substantial shareholder of the Company as a result of the Placing;

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- (v) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof.

None of the above conditions can be waived. In the event that the above conditions precedent have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination).

As at the Latest Practicable Date, none of the conditions have been fulfilled.

Termination : Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Shares and the NQS Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

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- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or
- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing; or

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- (e) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate for rights issues in the market, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The placing commission of the rights issue transactions announced in the Stock Exchange during the period from 17 July 2024 to the Last Trading Day (the "**Comparables**"), ranged from nil to 3.5%, with the average and median of approximately 1.77% and 1.50%, respectively. It is noted that the placing commission is at the high end and above the average and median of the Comparables. Nonetheless, having considered that (i) the placing commission of 3.0% falls within the range of the Comparables; and (ii) the recent commission rate of the rights issue transactions in the market, i.e. 5 out of 10 of the Comparables announced in December 2024 have a placing commission between 2.0% – 3.0% which is higher than the average of the Comparables, and meanwhile, the placing commission all Comparables announced in December 2024 are either equivalent or higher than the median of the Comparables, the Board is of the view the commission rate of 3.0% is on normal commercial terms, fair and reasonable. The Directors consider that the terms of the Placing Agreement are fair and reasonable and on normal commercial terms.

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The Placing Agent confirms that it is an Independent Third Party. The Placing Agent will, on a best efforts basis during the Placing Period, seek to procure subscribers who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) of the Unsubscribed Shares and NQS Unsold Rights Shares.

If all or any of the Unsubscribed Shares and NQS Unsold Rights Shares are successfully placed, any Net Gain will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders. Any NQS Unsold Rights Shares and/or Unsubscribed Shares that are not placed by the Placing Agent will not be issued by the Company. As at the Latest Practicable Date, the Placing Agent has not identified any placee(s). In any case, any placees shall be independent among themselves and should be independent of and not acting at the direction of or having any significant relationships with any connected person of the Company. As such, the Company considers that the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Company has put in place the above Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. There are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue. In the event of an under-subscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment of the following conditions:

- (a) the delivery to the Stock Exchange, and filing and registration with Companies Registry in Hong Kong of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and in compliance with the Listing Rules, the Companies (WUMP) Ordinance and the Companies Ordinance;
- (b) the made available and/or despatch (as the case may be) of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the made available of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

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- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the Rights Shares, in both nil-paid and fully-paid forms and such listing not being withdrawn or revoked;
- (d) the Independent Shareholders having approved at the EGM of the Increase in Authorised Share Capital, the Rights Issue and the Placing Agreement no later than the Prospectus Posting Date; and
- (e) the Placing Agreement not having been terminated in accordance with the provisions thereof, and remaining in full force and effect.

As at the Latest Practicable Date, none of the conditions has been fulfilled. None of the above conditions can be waived. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so) and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the fulfilment of the above conditions, it may or may not proceed. Shareholders and public investors are advised to exercise caution in dealing in the securities of the Company.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the provision of (i) foundation construction works; (ii) ground investigation services; (iii) financial services; (iv) trading of consumer products; and (v) e-commerce sales, live streaming and promotion business in the social media.

Revenue from the foundation works contributed approximately 76.1% to the total revenue of the Group for the year ended 31 March 2024. Since the listing of the Shares on the Stock Exchange in 2015, the Group has faced challenging operational conditions due to the sluggish growth of foundation industry in Hong Kong. According to the statistics of Census and Statistics Department, the gross value of piling and related foundation works in nominal terms performed by main contractors in Hong Kong decreased by approximately 22.3% from approximately HK\$18.6 billion in 2015 to approximately HK\$14.5 billion in 2022. Although the gross value of piling and related foundation works rebounded to approximately HK\$21.0 billion in 2023, as disclosed in the annual report of the Company for the year ended 31 March 2024, the Group's revenue from undertaking foundation construction works decreased by approximately 14.0% from approximately HK\$255.3 million for the year ended 31 March 2023 to approximately HK\$219.6 million for the year ended 31 March 2024, primarily due to the decrease in the number of sizable projects tendered by the Group. For the six months ended 30 September 2024, while the Group recorded increase in revenue generated from foundation construction works by approximately 3.7% as compared to the six months ended 30 September 2023 as there were increase in number of sizeable foundation construction projects tendered by the Group during the period, the Group

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has been loss making as a result of the increase in selling expenses and general and administrative expenses and the provision of impairment losses on financial and contract assets for the six months ended 30 September 2024 while a reversal of impairment losses on financial and contract assets was recorded in the corresponding period in 2023.

In view of the sluggish growth of foundation industry in Hong Kong, the Company has on one hand remained conservative on its existing construction business and on the other hand seeking opportunities to broaden the income stream of the Group. Based on the business operations of the Group, the Directors estimate that the Group generally requires around HK\$62.0 million for funding the one-year operation costs of the construction segment of the Group, which includes, among others, staff costs of approximately HK\$48.0 million, office and warehouse rental of approximately HK\$2.1 million, motor vehicle expenses of approximately HK\$3.0 million, and plant repairs and maintenance costs of approximately HK\$1.8 million. In addition, the Directors estimate that the Group generally require around HK\$28.4 million per year for the administrative expenses and general working capital of the headquarter, which includes, among others, Directors' fee, remuneration and staff salaries of approximately HK\$19.4 million, rentals for three offices of approximately HK\$3.7 million, legal and professional fees of approximately HK\$3.9 million. Although the Group had cash and cash equivalents of approximately HK\$104.8 million as at 31 December 2024, among which approximately HK\$20.7 million were the proceeds from the placing exercise of the Company in 2016 which were reserved for possible acquisition of equity interests in target company(-ies) engaged in the food and beverage and/or the construction sectors by 31 March 2025, which the Group is still in the progress of seeking appropriate targets and the Group has not yet identified any as at the Latest Practicable Date. As such, the Group only had remaining cash and cash equivalents of approximately HK\$84.1 million.

As such, given the capital intensive nature of the construction business and the working capital requirement, the remaining cash and cash equivalents of approximately HK\$84.1 million is only sufficient for the operating expenses for the headquarter and the operating expenses for the construction segment for approximately 11 months. In 2024, both of the commercial and residential property market had been weak. According to Jones Lang LaSalle Inc. (<https://www.jll.com.hk/en/newsroom/jll-hong-kong-real-estate-market-faces-continued-challenges-in-2025>), the rental of Hong Kong Grade A Office decreased by 8.6% and the capital value of mass residential market decreased by 6.4% in 2024, and expected to continue to decrease in 2025. Due to the weak commercial and residential property market, property developers are reluctant to acquire land. With reference to the 2024-25 budget of the Hong Kong government, the government's revenue from land in its 2023-2024 fiscal year was only approximately HK\$19.6 billion, which was the lowest since the global financial crisis in 2008-2009 and substantially lower than the premium of approximately HK\$69.9 billion in 2022-2023 fiscal year and approximately HK\$143.0 billion in 2021-2022 fiscal year. With the decrease in land acquired and to be developed by property developers, the construction industry in Hong Kong is considered to be gloomy in the near future. As such, the Directors consider that although the Group recorded increase in revenue from the construction business for the six months ended 30 September 2024,

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the revenue growth may not be sustainable and it is reasonable and conservative to preserve additional liquid funds for working capital of the Group and to allow the Group to timely grasp business opportunities when the construction industry recovers.

Further, as at 30 September 2024, the gearing ratio of the Group (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 210.0%. The Group had an aggregate amount of approximately HK\$182.7 million as at 30 September 2024 due to a related company and directors of subsidiaries which are unsecured, bearing interest at 4.5% to 6.5% per annum and repayable on demand. In December 2024, the Group repaid HK\$20.0 million to a director of a subsidiary. As at the Latest Practicable Date, save for the aforementioned HK\$20.0 million, the lenders did not request for further repayment of the borrowings. Nevertheless, given the significant amount of the borrowings and that they are repayable on demand, the Directors consider that the Group shall reserve sufficient financial resources in case of the lenders request for repayment. On the other hand, in view of the significant interest expenses as a result of the borrowings, the Directors consider that it may not be desirable to further increase borrowings to finance the operations of the Group.

The gross proceeds from the Rights Issue are expected to be approximately HK\$23.0 million. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$21.4 million. The Company intends to apply the net proceeds from the Rights Issue as general working capital of the Group over the coming months and utilised by 31 December 2025, particularly for the funding of the construction segment of the Group and the general working capital of the headquarter, such that the Group shall preserve liquid funds that is sufficient for at least 12 months of working capital of the Group. In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue shall still be utilised as the funding of the construction segment of the Group and the general working capital of the headquarter as and when required.

Fundraising alternatives

The Board has considered various fundraising alternatives before resolving to the Rights Issue, including debt financing and equity financing alternatives such as open offer and placing of new shares.

Taking into account the Group's high gearing ratio and years of losses, the Directors consider debt financing would result in additional interest burden and further adversely affect the Group's profitability. With respect to equity financing alternatives, the Board considers that placing of new Shares would be a sub-optimal fundraising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

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The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing the overall working capital to fulfill the development plan of the Group without further increase the interest burden to the Group. The Rights Issue also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

Having considered the above, the Directors consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders; (iii) immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all the Unsubscribed Shares and NQS Unsold Rights Shares are placed to the independent places:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders		Immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all the Unsubscribed Shares and NQS Unsold Rights Shares are placed to the independent places	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Su Guifang	11,592,000	10.06	23,184,000	10.06	11,592,000	5.03
Existing public Shareholders	103,608,000	89.94	207,216,000	89.94	103,608,000	44.97
Independent places	—	—	—	—	<u>115,200,000</u>	<u>50.00</u>
Total	<u>115,200,000</u>	<u>100.00</u>	<u>230,400,000</u>	<u>100.00</u>	<u>230,400,000</u>	<u>100.00</u>

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

On 16 April 2024, the Group allotted and issued 19,200,000 Shares to not less than six placees at the placing price of HK\$1.00 per Share. The net proceeds from the placing were approximately HK\$18.7 million, for the administration and operation expenses of the headquarters of the Group in Hong Kong. The Group has fully utilised the net proceeds of approximately HK\$18.7 million as intended for the administration and operation expenses of the headquarters of the Group in Hong Kong by 31 December 2024.

Saved as disclosed above, the Company did not conduct any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

The Increase in Authorised Share Capital is subject to the passing of an ordinary resolution by the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Increase in Authorised Share Capital, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Increase in Authorised Share Capital at the EGM.

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As the Latest Practicable Date, no Shareholder shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

LETTER FROM THE BOARD

GENERAL

The EGM will be convened and held to consider, and if thought fit, to approve, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Zhang Yi and Ms. Dan Xi, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transaction contemplated thereunder. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, and as to the voting action therefor, and the letter from Independent Financial Adviser set out on pages IFA-1 to IFA-25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The notice convening the EGM to be held on Thursday, 13 March 2025 at 2:30 p.m. by way of virtual meeting is enclosed with this circular.

The register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025 (both dates inclusive) for the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Subject to the fulfilment of certain conditions of the Rights Issue including the approval of the Shareholders at the EGM, the Prospectus Documents will be made available and/or despatched (as the case may be) to the Qualifying Shareholders on the Prospectus Posting Date. Copies of the Prospectus Documents will also be made available on the websites of the Company (www.hkex1718.hk) and the Stock Exchange (www.hkexnews.hk). A notice of publication of the website version of the Prospectus, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Prospectus.

LETTER FROM THE BOARD

Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will be made available and/or despatch (as the case may be) the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL to the Excluded Shareholders. The Company will despatch the PAL in printed form to the Qualifying Shareholders but will not despatch the PAL to the Excluded Shareholders. If the Company does not possess the email address of a Shareholder or the email address provided is not functional, the Company will despatch the Prospectus in printed form together with a request form for soliciting the Shareholder's functional email address to facilitate electronic dissemination of Actionable Corporate Communications in the future.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional upon fulfilment of the conditions set out in the paragraph headed "Letter from the Board – Conditions of the Rights Issue" of this circular, including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement and the transaction contemplated therein are fair and reasonable and in the interests of the Group and the Shareholders as a whole, therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

For and on behalf of the Board
Wan Kei Group Holdings Limited
Xu Lin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



WAN KEI GROUP HOLDINGS LIMITED

宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

18 February 2025

To the Independent Shareholders

Dear Sir/Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 18 February 2025 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the EGM. Silver Nile Global Investments Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages IFA-1 to IFA-25 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by, and the advice of the Independent Financial Adviser, we considered that the Rights Issue and the Placing Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of
the Independent Board Committee
Wan Kei Group Holdings Limited

Mr. Jiang Senlin

Mr. Zhang Yi

Ms. Dan Xi

Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in the Circular.



Silver Nile Global Investments Limited
Suite 4301, Tower One
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

18 February 2025

*To: The Independent Board Committee and the Independent Shareholders
of Wan Kei Group Holdings Limited*

Dear Sir/Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Placing Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 February 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 17 January 2025, in relation to, among other things, the Rights Issue, and the announcement of the Company dated 27 January 2025 in relation to the Increase in Authorised Share Capital. The Board proposed, subject to, among other things, to conduct the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.2 per Rights Share, to raise gross proceeds of approximately HK\$23.0 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date), by way of the Rights Issue of up to 115,200,000 Rights Shares to the Qualifying Shareholders. The Rights Issue is not underwritten and is only available to Qualifying Shareholders and will not be available to the Excluded Shareholders.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rule 7.19A(1) of the Listing Rules and any controlling shareholders and the respective associates or where there is no controlling shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

As the Latest Practicable Date, no Shareholder shall abstain from voting in favour of the resolution(s) relating to the Rights Issue, the Placing Agreement and transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Zhang Yi and Ms. Dan Xi, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and transactions contemplated thereunder are fair and reasonable and on normal commercial terms and whether the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We, Silver Nile Global Investments Limited (“**Silver Nile Global**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected and not aware of any relationship and interests with the Company, its respective core connected persons or associates that could reasonably be regarded as relevant to our independence to act as the Independent Financial Adviser and accordingly, we were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and transactions contemplated thereunder.

Save for our appointment as the Independent Financial Adviser, there was no other engagement between the Company and Silver Nile Global in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and/or the management of the Group. We have reviewed, *inter alia*, (i) the statements, information, opinions and representations contained or referred to in the Circular; (ii) the information and representations as provided to us by the Company and the Directors, including but not limited to the Placing Agreement; (iii) the Company's annual report for the year ended 31 March 2023 (the "AR2023") and 2024 (the "AR2024") and interim report for the six months ended 30 September 2023 (the "IR2023") and 2024 (the "IR2024"); and (iv) other relevant public information related to the Company. We have assumed that (i) all statements, information and representations provided by the Directors and the management of the Group; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business, affairs, financial position or prospects of the Group or any of its substantial shareholders, subsidiaries or associates (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of conducting the Rights Issue and/or the entering into of the Placing Agreement and transactions contemplated thereunder.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and Independent Shareholders solely in connection with their consideration of the Rights Issue, the Placing Agreement and transactions contemplated thereunder, and except for its inclusion in this circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Rights Issue, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

(i) Background information and financial overview of the Group

With reference to the Letter from the Board, the Group is principally engaged in the provision of (i) foundation construction works; (ii) ground investigation services; (iii) financial services; (iv) trading of consumer products; and (v) e-commerce sales, live streaming and promotion business in the social media.

Set out below is a summary of the key financial information of the Group for the financial years ended 31 March 2023 and 2024 as extracted from the AR2023 and AR2024 and the six months ended 30 September 2023 and 2024 respectively as extracted from the IR2024.

	For the years ended		For the six months ended	
	31 March		30 September	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	288,654	315,447	178,596	155,868
Gross profit	53,073	53,789	38,530	41,175
(Loss)/profit attributable to owners of the Company	(20,622)	(46,996)	(10,563)	18,378

LETTER FROM INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 September 2024

The revenue of the Group increased by approximately HK\$22.73 million or 14.58% from approximately HK\$155.87 million to HK\$178.60 million for the six months ended 30 September 2023 (“**1H2023**”) and 2024 (“**1H2024**”), respectively. According to the IR2024, the increase in revenue was mainly due to the increase in number of sizeable foundation construction projects tendered by the Group during the 1H2024 and the increase in revenue from e-commerce sales, live streaming and promotion business in the social media, which partially offset by the decrease in revenue generated from ground investigation services.

Despite the increase in revenue, the Group recorded a loss attributable to owners of the Company of approximately HK\$10.56 million for the six months ended 30 September 2024 as compared to a profit attributable to owners of the Company of approximately HK\$18.38 million for the six months ended 30 September 2023 mainly due to (i) the provision of impairment losses on financial and contract assets for the six months ended 30 September 2024 while a reversal of impairment losses on financial and contract assets was recorded in the corresponding period in 2023; and (ii) increase in selling expenses and general administrative expenses of approximately HK\$19.09 million.

*For the year ended 31 March 2024 (“**FY2024**”)*

The Group’s consolidated revenue decreased from approximately HK\$315.45 million for the year ended 31 March 2023 (“**FY2023**”) to approximately HK\$288.65 million for FY2024, representing a decrease of approximately 8.50%, which was mainly attributable to the decrease in the number of sizable foundation construction projects tendered by the Group, which partially offset by the increase in the number of sizable ground investigation service projects tendered by the Group.

Meanwhile, the loss attributable to the owners of the Company significantly decreased by approximately HK\$26.38 million from approximately HK\$47.00 million for FY2023 to approximately HK\$20.62 million for FY2024 primarily due to (i) there was a one-off loss on disposal of interest in an associate recorded in FY2023; and (ii) reduction in the impairment losses on financial and contract assets.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial position of the Group as at 30 September 2024 and 31 March 2024 as extracted from the IR2024.

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Non-current assets	26,499	13,069
Current assets	301,219	310,905
Total assets	327,718	323,974
Current liabilities	229,047	230,173
Non-current liabilities	6,936	2,972
Total liabilities	235,983	233,145
Net assets	91,735	90,829
Current assets – Cash and cash equivalents	115,353	138,286
Current liabilities – Due to a related company	54,684	55,351
Current liabilities – Due to directors of subsidiaries	128,010	122,000

As set out in the above, the total assets and liabilities of the Group remained relatively stable between 31 March 2024 and 30 September 2024. The net current asset value was approximately HK\$72.17 million (as at 31 March 2024: approximately HK\$80.73 million).

Meanwhile, the cash and cash equivalents of the Group reduced from approximately HK\$138.29 million as at 31 March 2024 to approximately HK\$115.35 million. It is also noted that the total interest-borrowings of the Group, mainly consisted of lease liabilities, borrowing from directors of subsidiaries and borrowing from a related company of the Group, increased from approximately HK\$179.94 million as at 31 March 2024 to approximately HK\$192.61 million as at 30 September 2024, which is repayable on demand. The increase in borrowings was mainly due to replenishment of liquid funds for working capital for the construction segment and e-commerce sales, live streaming and promotion business segment of the Group and the increase in lease liabilities in relation to rental of headquarter office and other premises, as advised by the management of the Company.

The gearing ratio of the Group as at 30 September 2024 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 210.0% (as at 31 March 2024: approximately 199.2%) and the current ratio of the Group as at 30 September 2024 was approximately 1.32 (as at 31 March 2024: approximately 1.35).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefit of the Rights Issue and intended use of proceeds

As set out the Letter from the Board, the net proceeds from the Rights Issue, after deducting related expenses, are estimated to be approximately HK\$21.4 million (assuming full subscription and no change in the number of Shares on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue as general working capital of the Group over the coming months and utilised by 31 December 2025, particularly for the funding of the construction segment of the Group and the general working capital of the headquarter.

As at 31 December 2024 and as advised by the management of the Company, the Group had cash and cash equivalent of approximately HK\$104.8 million, of which approximately HK\$20.7 million was considered unavailable amount as such amount was proceeds from a placing exercise of the Company in 2016 and has to be reserved for future possible acquisition of equity interests in target company(-ies) engaged in the food and beverage and/or the construction sectors, leaving available amount to be approximately HK\$84.1 million.

We are advised that sufficient funds should be retained to support the recurring operations of the Group. The tables below show the breakdown on the Directors' estimation on the funding requirement for one-year operation costs of the construction segment of the Group and the administrative expenses and general working capital of the headquarter per year, as provided by the management of the Company.

One-year operation costs of the construction segment of the Group

Item	Estimated amount
Staff costs and contribution to defined contribution retirement plans	HK\$49.4 million
Motor vehicle expenses	HK\$3.0 million
Office and warehouse rental	HK\$2.1 million
Plant repairs and maintenance	HK\$1.8 million
Others (including but not limited to legal and professional fee, insurance payment, telecommunication and administration expenses)	<u>HK\$5.5 million</u>
Total	<u><u>HK\$61.8 million</u></u>

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Administrative expenses and general working capital of the headquarter per year

Item	Estimated amount
Directors' fee, remuneration and staff salaries	HK\$19.4 million
Legal and professional fees	HK\$3.9 million
Rentals for three offices	HK\$3.7 million
Others (including but not limited to insurance payment and consultancy fee expenses)	<u>HK\$1.4 million</u>
Total	<u><u>HK\$28.4 million</u></u>

As discussed with the management of the Company, the estimation on the staff cost and contribution to defined contribution retirement plans of the construction segment of the Group and Directors' fee, remuneration and staff salaries of the headquarter was projected based on (i) the number of workers required for the ongoing and new construction projects in the next 12 months; and (ii) the historical staff costs.

In this regard, we have obtained and reviewed the list of ongoing construction projects and construction projects which are expected to commence before March 2026 of the Group which included relevant details including but not limited to the project location, commencement date (or the expected commencement date for future projects), expected completion date, the contract sum, percentage of completion and number of workers required for the project and the calculation of the staff cost. Furthermore, despite the Directors are of the view that the development of the construction segment for both private and public sectors had been subject to uncertainty in 2024 and there was a decrease in revenue from foundation construction work of the Group in FY2024 as compared to FY2023, we noted from the AR2024 that (i) the staff cost (including Directors' remuneration) increased from approximately HK\$67.25 million in FY2023 to approximately HK\$74.37 million in FY2024 and upon our enquiry, we are given to understand that the corresponding expenses estimated by the Directors for the one year operation cost of construction segment and the headquarter (i.e. approximately HK\$70 million) is similar to the expenses for the construction segment and the headquarter in FY2024; and (ii) the total emoluments of five highest paid individuals, which none of them was Directors) was approximately HK\$9.92 million in FY2024, representing an increase of approximately 14.19% from FY2023, which indicate the labour cost for workers may maintain an increasing trend in forthcoming months. We have also obtained a breakdown of the administrative expenses of the headquarter for the period between April 2024 to September 2024 of which, among others, the Group had incurred expenses of approximately HK\$9.52 million on Directors' fee, remuneration and staff salaries of the headquarter. Having taken the above into consideration, based on the information provided to us as at the Latest

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Practicable Date, we did not identify material deficiency which would render significant overestimation on the Directors' projection on the staff cost and staff salaries in relation to the funding requirement for the next 12 months.

In relation to other items of the operation costs and administrative expenses and general working capital, we have been provided with relevant rental contracts and service contracts for legal and professional services (including but not limited to, legal adviser annual retainer, advisory services in relation to investor relationship management and advisory services in relation to risk management, internal control and environmental, social and governance report) which covered the rental and/or service period up to the second quarter of 2026. Upon our review, we have not noticed material inconsistency on the estimated amount to be incurred for the next 12 months and the contracted amount.

As stated in the Letter from the Board, the Group had an aggregate amount of approximately HK\$182.69 million as at 30 September 2024 due to a related company and directors of subsidiaries which are unsecured, bearing interest at 4.5% to 6.5% per annum and repayable on demand. In December 2024, the Company received a partial repayment demand from one of the lenders and repaid HK\$20.0 million to a director of a subsidiary. As confirmed by the management of the Company based on the communication with the lenders, the lenders had no intention to request for further repayment of the borrowings as at the Latest Practicable Date. Having said that, we are of the view that it is reasonable for the Company to set aside funds from its available cash and cash equivalent to fulfil any future partial repayment requests as and when required.

Nonetheless, the estimation on the Group's operation cost of the construction segment and administrative expenses for headquarter is relating to future event and is based on assumptions which the Company considers appropriate which we have not assumed any responsibility for independently verifying the accuracy or completeness, therefore, we express no opinion on whether the actual cost and/or expenses would eventually be incurred, and/or if any extra cost and/or expenses is required, in correspondence with the estimation as mentioned in the above.

We are given to understand from the management of the Company that the Board has considered other alternative financing methods instead of the Rights Issue, including debt financing methods (such as bank and other borrowings or bond) and other means of equity financing methods (such as placing of new Shares or open offer). Regarding the debt financing, further borrowings would create additional interest burden for the Group and the negotiation process with the relevant banks may be lengthy given the loss making financial position of the Group for FY2024 and six months ended 30 September 2024, as well as increasing the gearing ratio of the Group. Debt financing would also create pressure to the liquidity of the Company, given that fact that the construction industry is capital intensive in

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nature, any extra borrowings may limit the Company's capability in taking up new projects in the future. Therefore, we are of the view that extra debt financing may not be beneficial to the Company.

In relation to other equity financing methods, it is noted that placing of new Shares would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to further invest in the equity of the Company at a favourable discount while maintaining their respective pro-rata shareholding interests and voting rights in the Company. Furthermore, given the low liquidity of the Shares as illustrated in the section headed "5. Assessment on the principal terms of the Rights Issue – (b) Historical trading liquidity of the Share" below may hinder the attractiveness of any equity fund-raising activities to be conducted by the Company to investors and may require more time to seek enough potential investors. For open offer, it does not allow the existing Shareholders to have chance to deal with the trading of rights entitlements in the open market. Meanwhile, a rights issue would allow the Qualifying Shareholders to maintain their respective shareholdings in the Company at their own will.

We understand from the Letter from the Board that the Board is of the view that operational conditions of the foundation industry in Hong Kong to be gloomy in 2025 as a result of decrease in land acquired and to be developed by the property developers but it is also the intention of the Board to timely grasp any business opportunities when the construction industry recovers. We noted that there was an increase in revenue from construction contracts in the six months ended 30 September 2024 as compared to the corresponding period in 2023. Although the growth in revenue may not be sustainable, in the context of ensuring business stability and long-term development of the Group, we concur with the Directors' view that the replenishment of additional working capital of the Group from the Rights Issue would allow the Group to actively seek and take up more construction projects, which usually require prepayment on set up of construction site office and warehouse rental, purchase of raw material and labour cost payment.

Taking into account the above, we concur with the Directors that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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3. Fundraising activities in the past twelve months

The Company has conducted the following equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date:

Date	Equity fund raising activity	Net proceeds raised	Proposed use of net proceeds	Actual use of net proceeds
3 April 2024 (announcement of entering into placing agreement) ¹ and 16 April 2024 (announcement of completion) ²	Placing of 19,200,000 new shares at HK\$1.00 per placing shares under general mandate	Approximately HK\$18.7 million	Approximately (i) 70% for director and staff remuneration; (ii) 8% for rental expense; (iii) 12% for professional fee; and (iv) 10% for other operation expenses	Fully utilised as intended

¹ <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0403/2024040302171.pdf>

² <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0416/2024041600995.pdf>

4. Principal terms of the Rights Issue and the Placing

Summarised below are the principal terms of the Rights Issue:

Rights Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.2 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expense incurred in the Rights Issue)	:	Approximately HK\$0.1858 per Rights Share

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- Number of Shares in issue : 115,200,000 Shares
as at the Latest
Practicable Date
- Number of Rights Shares : up to 115,200,000 Rights Shares (assuming no
to be issued under the further Shares are issued or repurchased on or
Rights Issue before the Record Date)
- Gross proceeds from the : up to approximately HK\$23.0 million before
Rights Issue expenses (assuming no Shares are issued or
repurchased on or before the Record Date)
- Rights of excess : There will be no excess application arrangements in
application and relation to the Rights Issue as stipulated by Rule
underwriter 7.21(1)(a) of the Listing Rules. The Rights Issue
will proceed on a non-underwritten basis
irrespective of the level of acceptances of the
provisionally allotted Rights Shares.
- Compensatory : Any Unsubscribed Shares and the NQS Unsold
arrangements Rights Shares will be placed to independent places
under the Compensatory Arrangements on a best
effort basis under the Compensatory Arrangements.
- Any Unsubscribed Shares and/or NQS Unsold
Rights Shares which are not placed under the
Compensatory Arrangements will not be issued by
the Company and the size of the Rights Issue will
be reduced accordingly. There is no minimum
amount to be raised under the Rights Issue.

Further details of the principal terms of the Rights Issue are outlined in the Letter from the Board.

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares.

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Set out below is the summary of the principal terms of the Placing Agreement:

Placing Agreement

- Date : 17 January 2025
- Placing Agent : Beta International Securities Limited
- Placing Price : not less than HK\$0.2 per Unsubscribed Share and the NQS Unsold Rights Shares
- Placing Period : a period commencing from the first (1st) Business Day immediately after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares and ending on 4:00 p.m. on the fifth (5th) business day after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares (both days inclusive)
- Placing Commission : Subject to completion of the Placing, the Company shall pay a placing commission of 3.0% of the actual gross proceeds from the subscription of the Unsubscribed Shares and the NQS Unsold Rights Shares under the Placing
- Assuming none of the Qualifying Shareholders has taken up their entitled Rights Shares and all Unsubscribed Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent, the total placing commission will be approximately HK\$0.69 million in cash to be deducted from the gross proceeds of the Rights Issue.
- Placees : The Unsubscribed Shares and NQS Unsold Rights Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and not acting in concert with the Placing Agent and its concert parties.

For the avoidance of doubt, no placee will become a substantial Shareholder.

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Ranking of the placed Unsubscribed Shares and NQS Unsold Rights Shares : The placed Unsubscribed Shares and NQS Unsold Rights Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Further details of the terms and conditions of the Placing Agreement are outlined in the Letter from the Board.

5. Assessment on the principal terms of the Rights Issue

(i) *Evaluation of the Subscription Price*

As set out in the Letter from the Board, the Subscription Price represents:

- (i) a discount of approximately 45.21% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 29.82% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.97% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.294;
- (iv) a discount of approximately 36.31% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.314;
- (v) a discount of approximately 17.53% to the theoretical ex-rights price of approximately HK\$0.2425 per Share based on the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 17.64% represented by the theoretical diluted price of approximately HK\$0.2545 to the benchmarked price of approximately HK\$0.309 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.285 per Share and the average closing price of the Shares in the five trading days immediately prior to the date of the Announcement of HK\$0.309 per Share);

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- (vii) a discount of approximately 74.36% to the consolidated net asset value per Share attributable to the Shareholders as at 31 March 2024 of approximately HK\$0.78 calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$90,322,000 as set out in the annual report of the Company for the year ended 31 March 2024 and 115,200,000 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 75.00% to the consolidated net asset value per Share attributable to the Shareholders as at 30 September 2024 of approximately HK\$0.80 calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$92,242,000 as set out in the interim report of the Company for the six months ended 30 September 2024 and 115,200,000 Shares in issue as at the Latest Practicable Date.

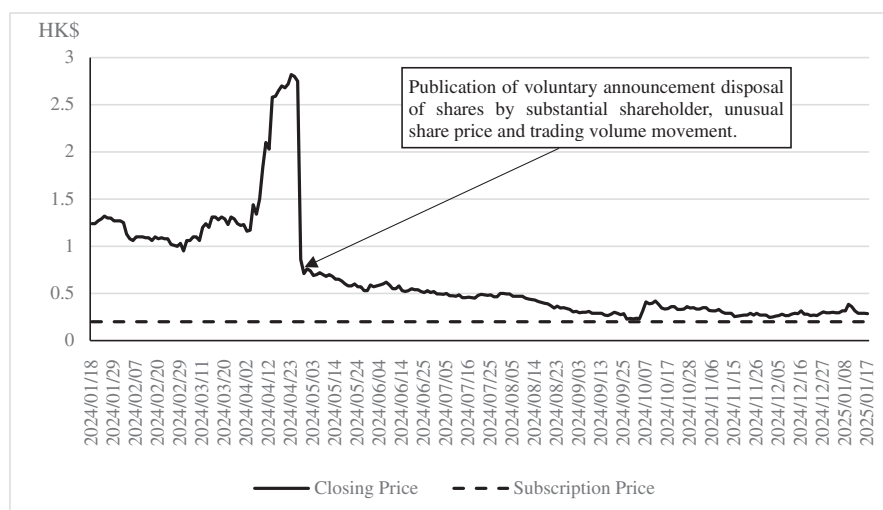
According to the Letter from the Board, the Subscription Price was determined taking into consideration (i) the recent market price of the Shares; (ii) the prevailing market conditions; (iii) the low trading volume of the Shares; and (iv) the amount of funds the Company intends to raise under the Rights Issue for the purposes described in the section headed “Letter from the Board – Reasons for and benefits of the Rights Issue and the use of proceeds”.

In assessing the fairness and reasonableness of the Subscription Price, we have reviewed relevant information and performed the following analysis:

(a) *Historical Share price performance*

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 18 January 2024 up to and including the Last Trading Day (the “**Review Period**”), being a period of 12 months prior to the Last Trading Day. We consider that the Review Period represents a reasonable period to provide a general overview of the historical trend of the Share price when assessing the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders had expected, while that after the Announcement, the value may have taken into account the potential effect of the Rights Issue which may distort the analysis.

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Source: the website of the Stock Exchange

As illustrated in the chart above, the Share price closed in a range between HK\$0.23 and HK\$2.82 per share during the Review Period, with an average closing price of approximately HK\$0.68 per Share.

Starting from the 18 January 2024 and up to 3 April 2024, the Share price closed within a range of HK\$0.95 and HK\$1.32, with an average closing price of approximately HK\$1.17 per Share.

Since 5 April 2024, the closing price of the Shares started to rise to HK\$2.82 per Share, the highest closing price during the Review Period, recorded on 23 April 2024. However, there was a significant drop in the closing price of the Shares to HK\$0.86 per Share on 26 April 2024. In this regard, we did not notice any specific reasons for the fluctuation in the closing prices of the Share between 5 April 2024 to 26 April 2024 save as (i) the placing of new shares under general mandate published by the Company on 3 April 2024; (ii) the completion of placing of new shares under general mandate published by the Company on 16 April 2024; and (iii) the voluntary announcement in relation to disposal of shares by substantial shareholder and unusual share price and trading volume movement published by the Company on 26 April 2024. As advised by the management of the Company, the Company is also not aware of any other reasons for the aforementioned Share price fluctuations save as those published announcements.

After 26 April 2024, the closing price of the Share showed a downward trend and closed at HK\$0.285 on the Last Trading Day, with an average closing price of approximately HK\$0.41 during this period.

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It is noted that the Subscription Price has been lower than the closing price of the Shares during the Review Period, nonetheless, having considered (i) the closing price of the Shares has been decreasing during the Review Period; (ii) the Subscription Price represents only a slight discount of approximately 13.04% to the lowest closing price of the Share during the Review Period; (iii) the low liquidity of the Shares as discussed in the section headed “(b) Historical trading liquidity of the Shares” below; (iv) it is noted that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue as discussed in the section headed “(c) Comparison with recent rights issues exercise” below, we consider that the Subscription Price being set at a discount to the prevailing market prices of the Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Historical trading liquidity of the Share

Set out in the table below is the trading volume data in respect of the Shares during the Review Period.

Month	Number of trading days	Average daily trading volume of the Shares during the month/period	Average daily trading volume of the Shares during the month/period to the total number of issued Shares as at relevant month end
2024			
January (commencing on 18 January 2024)	10	112,850	0.1176%
February	19	50,368	0.0525%
March	20	975,200	1.0158%
April	20	8,807,479	7.6454%
May	21	1,105,861	0.9599%
June	19	452,805	0.3931%
July	22	762,590	0.6620%
August	22	190,431	0.1653%
September	19	956,500	0.8303%
October	21	909,523	0.7895%
November	21	388,666	0.3374%
December	20	694,825	0.6031%

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Month	Number of trading days	Average daily trading volume of the Shares during the month/period	Average daily trading volume of the Shares during the month/period to the total number of issued Shares as at relevant month end
2025			
January (up to and including the Last Trading Day)	12	1,244,875	1.0806%

Source: the website of the Stock Exchange

During the Review Period, the average daily trading volume of the Shares ranged from a low of approximately 0.0525% and up to a maximum of 7.6454% to the total number of issued Shares as at the end of relevant month. Having said that, it is noted that the average daily trading volume of the Shares was exceptionally high in April 2024 when compares to the result of other months during the Review Period. The average daily trading volume of the Shares of the remaining months of the Review Period is approximately 0.5839%.

Given the thin trading volume of the Shares as illustrated above may hinder the attractiveness of any equity fund-raising activities to be conducted by the Company, we consider that a discount to the prevailing Share price is crucial for the Company to be able to raise equity funds from investors.

(c) Comparison with recent rights issues exercise

In order to further assess the fairness and reasonableness of the Subscription Price, we have identified, on a best effort basis, an exhaustive list of 39 rights issue transactions (the “**Comparables**”) announced by companies listed on the Stock Exchange during the period from 17 July 2024 up to the Last Trading Day (being a six-month period immediately prior to and including the Last Trading Day), which we considered to be an appropriate time frame to identify a reasonable size of samples of recent rights issue for the purpose of our analysis. In selecting the Comparables, we have excluded rights issue transactions that have been terminated as at the Latest Practicable Date.

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Although the Comparables include rights issues with varying bases, or the issuer of the Comparables is engaged in different business operations, and having financial performances or funding needs different to the Company, we have considered the following: (i) all of the issuer of the Comparables, like the Company, are listed on the Stock Exchange; (ii) our analysis focuses primarily on the principal terms of the rights issue, and we have not identified any established evidence indicating any correlation between principal business of the issuer of the Comparables and the fund-raising exercise's underlying principal terms; (iii) including issuer of the Comparables with diverse funding needs and business operations provides a more comprehensive reflection of overall market sentiment in our analysis; (iv) the approximately six-month selection period has generated a reasonable sample size to represent recent market practices for rights issues; and (v) the Comparables were selected without any artificial filtering, ensuring they true and fairly reflect current market trends for similar transactions conducted by other issuers listed on the Stock Exchange. Therefore, we consider the Comparables to be fair and representative samples.

Nevertheless, INEDs and Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the issuers of the Comparables and we have not conducted any in-depth investigation into the businesses, operations and prospects of the issuers of the Comparables.

The following table sets forth the relevant details of the Comparables:

Announcement date	Company name	Stock code	Basis for entitlement (%)	Premium/ (Discount) of the subscription price over/ to closing price (%)	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price (%)	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share (%)	Theoretical effect dilution Note	Excess application or compensatory arrangements	Placing commission	Underwritten
31-Dec-24	China Demeter Financial Investments Limited	8120	1 for 2	(25.00)	(18.18)	(59.08)	8.55	Compensatory arrangement	2.50%	No
27-Dec-24	China Kingstone Mining Holdings Limited	1380	2 for 5	16.28	11.11	(65.60)	0.00	Compensatory arrangement	2.25%	No
20-Dec-24	Mansion International Holdings Limited	8456	4 for 1	(22.90)	(5.50)	N/A	18.80	Compensatory arrangement	1.50%	No
19-Dec-24	HSC Resources Group Limited	1850	4 for 1	(24.29)	N/A	N/A	19.43	Compensatory arrangement	1.50%	No
13-Dec-24	China Energy Storage Technology Development Limited	1143	2 for 1	(36.36)	(16.00)	(90.50)	24.24	Compensatory arrangement	1.50%	No
13-Dec-24	Royal Century Resources Holdings Limited	8125	3 for 1	(23.95)	(7.30)	(82.69)	17.96	Compensatory arrangement	2.00%	No
10-Dec-24	Knt Holdings Limited	1025	3 for 1	(9.38)	(2.52)	(59.90)	8.08	Compensatory arrangement	3.00%	No
6-Dec-24	Xinming China Holdings Limited	2699	4 for 1	(13.80)	N/A	N/A	16.90	Compensatory arrangement	3.00%	No
3-Dec-24	Graphex Group Limited	6128	3 for 1	(32.00)	(10.53)	(51.51)	24.00	Compensatory arrangement	1.50%	No
2-Dec-24	Luxu Group Limited	1327	1 for 1	(44.44)	N/A	(79.45)	22.22	Compensatory arrangement	1.50%	No

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Announcement date	Company name	Stock code	Basis for entitlement (%)	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right closing price (%)	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share (%)	Theoretical dilution effect Note	Excess application or compensatory arrangements	Placing commission	Underwritten
21-Nov-24	Legend Strategy International Holdings Group Company Limited	1355	1 for 1	(49.71)	(33.08)	N/A	24.86 Excess application	N/A	No
21-Nov-24	Elife Holdings Limited	223	5 for 1	(6.54)	(9.09)	(96.10)	0.61 Excess application	N/A	No
19-Nov-24	China Wood International Holdings Co., Limited	1822	1 for 1	(45.00)	(29.10)	N/A	24.90 Excess application	N/A	No
15-Nov-24	Global Strategic Group Limited	8007	1 for 4	(12.50)	(3.20)	(91.60)	11.30 Excess application	N/A	No
12-Nov-24	HG Semiconductor Limited	6908	4 for 1	(36.00)	(31.00)	(44.20)	8.30 Compensatory arrangement	1.00%	No
11-Nov-24	Far East Holdings International Limited	36	2 for 1	(35.77)	(15.66)	(80.59)	23.85 Compensatory arrangement	2.50%	No
6-Nov-24	China Water Industry Group Limited	1129	1 for 1	(49.85)	(33.20)	(93.95)	24.92 Compensatory arrangement	2.00%	No
1-Nov-24	Yuzhou Group Holdings Company Limited	1628	49 for 100	(73.68)	(65.27)	N/A	24.23 Excess application	N/A	No
22-Oct-24	IRC Limited	1029	1 for 2	(15.00)	(10.50)	(67.30)	4.90 Excess application	N/A	No
21-Oct-24	China 33 Media Group Limited	8087	3 for 2	(7.41)	(3.23)	(55.62)	5.12 Compensatory arrangement	1.50%	No
18-Oct-24	Kingkey Financial International (Holdings) Limited	1468	1 for 2	(2.56)	(4.04)	124.60	2.06 Excess application	N/A	No
18-Oct-24	Gaodi Holdings Limited	1676	1 for 2	(37.90)	(12.10)	(65.50)	0.00 Compensatory arrangement	1.00%	No
15-Oct-24	Eminence Enterprise Limited	616	2 for 1	(8.00)	(2.85)	(98.98)	21.30 Excess application	N/A	No
8-Oct-24	V&V Technology Holdings Limited	8113	2 for 1	(31.51)	(23.47)	(32.23)	10.50 Excess application	N/A	No
4-Oct-24	Palinda Group Holdings Limited	8179	1 for 2	(18.70)	(13.29)	(66.10)	6.23 Excess application	N/A	No
2-Oct-24	China National Culture Group Limited	745	1 for 2	(31.97)	N/A	(53.36)	21.31 Compensatory arrangement	2.00%	No
26-Sep-24	Innovax Holdings Limited	2680	1 for 2	(67.39)	(59.02)	(88.59)	22.78 Compensatory arrangement	1.00%	No
23-Sep-24	Hatcher Group Limited	8365	3 for 1	(31.50)	(10.40)	(94.10)	23.60 Compensatory arrangement	N/A	Yes
23-Sep-24	Shougang Fushan Resources Group Limited	639	1 for 30	1.96	1.90	(20.49)	0.06 Excess application	N/A	No
13-Sep-24	Dragon Rise Group Holdings Limited	6829	1 for 1	(48.70)	(33.10)	(89.20)	24.90 Compensatory arrangement	1.00%	Yes
13-Sep-24	Shougang Century Holdings Limited	103	1 for 5	8.20	1.37	(62.50)	0.00 Excess application	N/A	No
9-Sep-24	Crown International Corporation Limited	727	2 for 1	2.27	1.50	162.35	0.00 Excess application	N/A	No
4-Sep-24	China New Consumption Group Limited	8275	1 for 2	(5.66)	(4.76)	(61.09)	2.47 Compensatory arrangement	3.50%	No
2-Sep-24	Guangdong – Hong Kong Greater Bay Area Holdings Limited	1396	1 for 2	(22.30)	(15.85)	(90.50)	8.28 Excess application	N/A	No
22-Aug-24	BeijingWest Industries International Limited	2339	1 for 2	(13.85)	(9.68)	(88.72)	4.62 Excess application	1.00%	Yes
2-Aug-24	Asia Television Holdings Limited	707	1 for 2	(46.80)	(37.00)	36.38	15.60 Compensatory arrangement	2.00%	No
31-Jul-24	Emperor International Holdings Limited	163	1 for 2	(30.60)	(23.60)	(96.10)	10.50 Excess application	1.50%	Yes
22-Jul-24	ROMA (Meta) Group Limited	8072	3 for 1	(23.08)	(7.41)	(97.23)	18.18 Compensatory arrangement	1.25%	No
19-Jul-24	Trendzon Holdings Group Limited	1865	4 for 1	(14.30)	(3.23)	(93.70)	14.60 Compensatory arrangement	1.00%	Yes
		Maximum		16.28	11.11	162.35	24.92		3.50%
		Minimum		(73.68)	(65.27)	(98.98)	0.00		1.00%
		Average		(24.86)	(15.35)	(57.37)	13.34		1.77%
		Median		(23.95)	(10.50)	(67.30)	14.60		1.50%
	The Company	1718	1 for 1	(29.82)	(17.53)	(75.00)	17.64 Compensatory arrangement	3.00%	No

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Notes:

1. The information has been sourced from the relevant announcements or circulars regarding the rights issues of the respective Comparables.
2. “N/A” denotes that the announcement did not disclose such information.
3. The theoretical dilution effect is calculated in according to Rule 10.44A of the Rules Governing of the Listing of Securities on GEM or Rule 7.27B of the Listing Rules.

As set out in the table above, we noted that:

- (i) the (discount)/premium of subscription price (to)/over the closing price on the last trading day of the Comparables ranged from a discount of approximately 73.68% to a premium of approximately 16.28%, with the average of discounts of approximately 24.86%. The Subscription Price represents a discount of approximately 29.82% to the closing price on the Last Trading Day, which fall within the range of the Comparables;
- (ii) the (discount)/premium of subscription price (to)/over the theoretical ex-rights price of the Comparables ranged from a discount of approximately 65.27% to a premium of approximately 11.11%, with the average of discounts of approximately 15.35%. The Subscription Price represents a discount of approximately 17.53% to the theoretical ex-rights price per Share on the Last Trading Day which fall within the range of the Comparables;
- (iii) the (discount)/premium of subscription price (to)/over the latest net asset value per Share of the Comparables ranged from a discount of approximately 98.98% to approximately a premium of 162.35%, with the average of discounts of approximately 57.37%. The Subscription Price represents a discount of approximately 75.00% to the net asset value as at 30 September 2024 per Share which fall within the range of the Comparables;
- (iv) the theoretical dilution effect of the Rights Issue Comparables ranged from 0% to approximately 24.92%. The theoretical dilution effect of the Rights Issue of approximately 17.64% is within the theoretical dilution range of the Comparables;

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- (v) 23 out of 39 Comparables have not facilitated excess application arrangements. It is noted that the arrangement of excess application is less popular among the Comparables, meanwhile the Company has put in place the above Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules; and
- (vi) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given that 34 out of 39 Comparables were also conducted on a non-underwritten basis.

We noted that the Subscription Price represents a significant discount to the Company's net asset value per Share as at 30 September 2024 and understand from the Letter from the Board that the huge discount to the Company's unaudited net asset value per Share is due to the fact that during the Relevant Period, the Shares were traded at all time at a discount to the consolidated net asset value per Share. Having considered (i) during the Relevant Period, the Shares consistently traded at a discount to the consolidated net asset value per Share reflects a persistent undervaluation which is suggesting that market participants do not perceive the net asset value as an accurate reflection of the Shares' current value; and (ii) the Subscription Price represents a discount of approximately 75.00% to the net asset value per Share as at 30 September 2024 which is within the range and close to the average of the Comparables, we are of the view that setting the Subscription Price with reference to the net asset value of the Company would not be relevant or practical, as it would result in a price significantly exceeding the prevailing market price, thereby potentially deterring Shareholders from participating in this fundraising exercise.

(ii) Evaluation of the Placing Commission

According to the Placing Agreement, the Company will pay the Placing Agent a placing commission of 3.0% of the actual gross proceeds from the subscription of the Unsubscribed Shares and the NQS Unsold Rights Shares under the Placing. To assess the fairness and reasonableness of the Placing Commission, we have considered the commission charged by placing agents of the issuer of the Comparables, where applicable. We noted that the placing commission paid by the issuer of the Comparables ranged from nil to 3.50% of the funds raised. It is noted that the Placing Commission is at the high end and above the average and median of the Comparables. Nonetheless, having considered that (i) the Placing Commission of 3.0% falls within the range of the Comparables; and (ii) the recent commission rate of the rights issue transactions in the market, i.e. 5 out of 10 of the Comparables announced in December 2024 have a placing commission between 2.0% – 3.0% which is higher than the average of the Comparables, and meanwhile, the placing commission all Comparables announced in December 2024 are either equivalent or higher than the median of the Comparables, we are of the view that that the Placing Commission pursuant to the Placing Agreement is fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Although the discount of the Subscription Price to each of the closing price of the Shares on the Last Trading Day, theoretical ex-right entitlement price of the Shares on the Last Trading Day and net asset value per Share as at 30 September 2024 and the theoretical dilution effect of the Rights Issue is more than the average and median of the Comparables, after considering that (i) the general downward trend of the closing price of the Shares and the thin trading volume of the Shares during the Review Period as discussed in the sections above; (ii) such discount of the Subscription Price and the theoretical dilution effect of the Rights Issue are only slightly higher than the average and/or median of corresponding discounts and theoretical dilution effect of the Comparables; (iii) the discounts represented by the Subscription Price all fall within the range of the Comparables and not close to the minimum of the Comparables; (iv) a discount to the prevailing historical closing prices of the Shares may attract the Qualifying Shareholders to participate in the Rights Issue; (v) the theoretical dilution effect of the Rights Issue does not result in a theoretical dilution effect of 25% or more, which is in compliance with Rule 7.27B of the Listing Rules; (vi) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; and (vii) the discussion of the fairness and reasonableness of the Placing Commission in the above, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

6. Possible dilution effect on interests of other public Shareholders

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 50%.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We are aware of the potential dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparables; (ii) the Rights Issue would strengthen the capital structure and financial position of the Group; (iii) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company; (iv) the inherent dilutive nature of rights issue in general if the existing shareholders do not take up their entitlements thereunder in full; and (vi) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to realise the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

7. Financial effects of the Rights Issue

It should be noted that the Rights Issue is subject to the conditions as set out in the Letter from the Board and on a non-underwritten basis, the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

Net tangible asset

With reference to “Unaudited pro forma financial information of the Group” as set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2024 amounted to approximately HK\$91.9 million. Upon completion of the Rights Issue, the Group will have unaudited consolidated net tangible assets of the Group attributable to owners of the Company being approximately HK\$113.3 million.

Liquidity

The estimated net proceeds from the Rights Issue are expected to enhance the Group’s current assets by approximately HK\$21.4 million (assuming full acceptance by Qualifying Shareholders) and the Rights Issue is expected to improve the Group’s liquidity position immediately after its completion.

Based on the above analysis, the Rights Issue is expected to have a positive impact on the Group’s financial position. Accordingly, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Rights Issue (including the Subscription Price and the potential dilution effect) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

SILVER NILE GLOBAL INVESTMENTS LIMITED

Alan Lam

Managing Director

Note: Mr. Alan Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Silver Nile Global Investments Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 12 years of experience in corporate finance advisory in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the years ended 31 March 2022, 2023 and 2024 and the six months ended 30 September 2024 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hkex1718.hk):

- (i) the audited financial information of the Group for the year ended 31 March 2022 is disclosed in the annual report of the Company for the year ended 31 March 2022 published on 29 July 2022 (pages 111 to 227)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0729/2022072901998.pdf>);

- (ii) the audited financial information of the Group for the year ended 31 March 2023 is disclosed in the annual report of the Company for the year ended 31 March 2023 published on 27 July 2023 (pages 120 to 235)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0727/2023072700469.pdf>);

- (iii) the audited financial information of the Group for the year ended 31 March 2024 is disclosed in the annual report of the Company for year ended 31 March 2024 published on 18 July 2024 (pages 143 to 267)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0718/2024071800272.pdf>);
and

- (iv) the unaudited financial information of the Group for the six months ended 30 September 2024 is disclosed in the interim report of the Company for the six months ended 30 September 2024 published on 16 December 2024 (pages 44 to 99)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1216/2024121600409.pdf>)

2. INDEBTEDNESS STATEMENT

As at 31 December 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group's indebtedness are set out below:

	<i>HK\$'000</i>
Due to a related company – unsecured and unguaranteed (<i>note a</i>)	55,556
Due to directors of subsidiaries – unsecured and unguaranteed (<i>note b</i>)	113,454
Lease liabilities – unsecured and unguaranteed	<u>1,394</u>
	<u><u>170,404</u></u>

Notes:

- a. The amount is unsecured, repayable on demand and bearing interest at 5% per annum.
- b. The amount due to Mr. Lau Woon Si (“**Mr. Lau**”) is unsecured, bearing interest at 6.5% per annum and repayable on demand. Mr. Lau is a member of key management personnel of the Group and is a director of a subsidiary.

The amount due to Mr. Chen Yu (“**Mr. Chen**”) is unsecured, bearing interest at 4.5% per annum and repayable on demand. Mr. Chen is a member of key management personnel of the Group and is a director of a subsidiary.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 31 December 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Circular, the Group did not have any loan capital or debt securities issued and outstanding or agreed to be issued, or authorized or otherwise created but unissued, bank overdrafts, loans, term loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since indebtedness statement; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

The Group has obtained the letters of financial support (the “**Financial Support**”) from (i) a director (the “**Subsidiary’s Director**”) of a subsidiary of the Company and (ii) a related company, pursuant to which, the Subsidiary’s Director and the related company agreed not to demand for repayment of the amount due to them in aggregate of HK\$155.3 million and until the Group is in a position to do so. The Directors are of the opinion that, after taking into account the Financial Support and financial resources presently available to the Group including the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for at least the next twelve months from the date of the publication of this circular.

4. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 September 2024, the Group recorded net loss attributable to Shareholders of approximately HK\$10.6 million for the six months ended 30 September 2024, as compared to profit attributable to Shareholders of approximately HK\$18.4 million for the six months ended 30 September 2023, which was mainly due to (i) the provision of impairment losses on financial and contract assets for the period while a reversal of impairment losses on financial and contract assets was recorded in the corresponding period in 2023; and (ii) the increase of selling expenses and general and administrative expense. Save for the above, the Directors confirm that there was no material adverse change in the financial or trading position of the Group subsequent to 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the provision of (i) foundation construction works; (ii) ground investigation services; (iii) financial services; (iv) trading of consumer products; and (v) e-commerce sales, live streaming and promotion business in the social media.

Revenue from the foundation works contributed approximately 76.1% to the total revenue of the Group for the year ended 31 March 2024. Since the listing of the Shares on the Stock Exchange in 2015, the Group has faced challenging operational conditions due to the sluggish growth of foundation industry in Hong Kong. According to the statistics of Census and Statistics Department, the gross value of piling and related foundation works in nominal terms performed by main contractors in Hong Kong decreased by approximately 22.3% from approximately HK\$18.6 billion in 2015 to approximately HK\$14.5 billion in 2022. Although the gross value of piling and related foundation works rebounded to approximately HK\$21.0 billion in 2023, as disclosed in the annual report of the Company for the year ended 31 March 2024, the Group’s revenue from undertaking foundation construction works decreased by approximately 14.0% from approximately HK\$255.3 million for the year ended 31 March 2023 to approximately HK\$219.6 million for the year ended 31 March 2024, primarily due to the decrease in the number of sizable projects tendered by the Group. For the six months ended 30 September 2024, while the Group recorded increase in revenue generated from foundation construction works by approximately 3.7% as compared to the six months ended 30 September 2023 as there were increase in number

of sizeable foundation construction projects tendered by the Group during the period, the Group has been loss making as a result of the increase in selling expenses and general and administrative expenses and the provision of impairment losses on financial and contract assets for the six months ended 30 September 2024 while a reversal of impairment losses on financial and contract assets was recorded in the corresponding period in 2023.

In view of the sluggish growth of foundation industry in Hong Kong, the Company has on one hand remained conservative on its existing construction business and on the other hand seeking opportunities to broaden the income stream of the Group. In respect of the construction business, the Group intends to adopt a conservative approach with the current strategy to preserve liquid funds for working capital of the business, while on the hand allows the Group to timely grasp business opportunities when the construction industry recovers. At the same time, the Group had been actively exploring new business opportunities by diversifying into the trading business and the e-commerce sales, live streaming and promotion business in the social media. Due to the uncertainties in the prospect of the construction business, it is also the intention of the Group to continue to develop the e-commerce sales, live streaming and promotion business and explore other businesses with prospects when available.

In respect of the trading of consumer products business, during the six months ended 30 September 2024, the Group has engaged in the trading of wine and skincare products. Under the trading business, the Group generally first purchased the products from independent corporate suppliers and source individual corporate customers for the sale. Based on the business performance, the Group is expected to continue the wine trading business which recorded gross profit margin of around 17% for the period and discontinue the trading of skincare products business due to its lower profit margin of only 3% for the period. On the other hand, the Group is also exploring the development of trading of other high margin products, such as cigar, in the future.

In respect of the e-commerce business, the Group has conducted it in various business models depending on the product types. For jewellery, educational products and second-hand luxury bags, the Group would source these products from independent corporate suppliers and sale them on Douyin to generate revenue. For sport products, the Group has entered into a strategic cooperation agreement with Peak Sport Products Co Limited ("**Peak Sport**") in August 2024, pursuant to which the Group was granted the right to be the exclusive sales agent of the ski equipment and protective gear, such as ski-boards, snowboards, boots, bindings, goggles and protection gears, of Peak Sport during the period from April 2024 to March 2027. The Group could procure a third party factory for the manufacture of the ski equipment and protective gear, whereas the orders would be first placed by Peak Sport to the factory, and the Group would then purchase the ski equipment and protective gear from Peak Sport at a fixed premium over the cost for the sale on e-commerce platforms, such as Douyin, Pinduoduo, Tmall, JD.com, Taobao, etc.. For wine, the Group has acted as an agent for the sale on e-commerce platforms and earn commission income when there is purchase. Apart from the above, the Group also engaged key opinion leaders (KOLs) for promotion and enhancement of sales from time to time on the various

products. While the Group is mainly engaged in the construction business, the senior management of the Group who is responsible for the operation of the trading and e-commerce business namely the director and legal representative of the operating subsidiary for the e-commerce business, possess over 15 years of experience on the development and management of online platforms, social media and e-commerce business. Leveraged also on the general business management experience of the Directors, the Directors consider the Group possess the relevant expertise in operating each of the trading and e-commerce businesses.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information. Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial positions at the relevant time.

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP**

1. INTRODUCTION

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group which has been prepared in accordance with paragraph 13 of Appendix D1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) on the basis of the notes set out below for illustrating the impact of the rights issue (the “**Rights Issue**”) on the basis of one rights share (the “**Rights Share**”) for every one existing share (“**Share**”) of the Company held on 25 March 2025 (the “**Record Date**”) on the Group's consolidated net tangible assets as if the Rights Issue had taken place on 30 September 2024. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 September 2024 or any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets of the Group as at 30 September 2024 as extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2024 as set out in the published interim report of the Group dated 27 November 2024 and adjusted for the effect of the Rights Issue.

2. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP

Unaudited consolidated net tangible assets of the Group as at 30 September 2024 <i>HK\$'000</i> <i>(Note a)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note b)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as if the Rights Issue had been completed as at 30 September 2024 <i>HK\$'000</i>
<u>91,864</u>	<u>21,400</u>	<u>113,264</u>

Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 30 September 2024 prior to the completion of the Rights Issue *(Note c)*

82.0 HK cents

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as if the Rights Issue had been completed as at 30 September 2024 *(Note d)*

49.8 HK cents

Notes:

- (a) The unaudited consolidated net tangible assets of the Group of approximately HK\$91,864,000 as at 30 September 2024 is arrived at by deducting the intangible assets of approximately HK\$378,000 as at 30 September 2024 from the unaudited consolidated net assets of the Group attributable to the owners of the Company of approximately HK\$92,242,000 as at 30 September 2024 as extracted from the published unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2024 as set out in the published interim report of the Group dated 27 November 2024.
- (b) The estimated net proceeds from the Rights Issue of approximately HK\$21,400,000 are calculated based on 115,200,000 Rights Shares to be issued at the subscription price of HK\$0.2 per Rights Share and after deduction of the estimated legal and professional expenses and other related expenses which are directly attributable to the Rights Issue of approximately HK\$1,640,000. The estimated 115,200,000 Rights Shares, on the basis of one Rights Share for every one Share held on 25 March 2025 (the “**Record Date**”) to be issued, is based on 115,200,000 existing Shares in issue as at 30 September 2024, in which, as to 3,164,500 existing Shares were held for the Company’s share award scheme. All Rights Shares (including 3,164,500 existing Shares held for Company’s share award scheme) are assumed to be fully placed out to the investors by the placing agent.
- (c) The calculation of the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 30 September 2024 prior to the completion of the Rights Issue is based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$91,864,000 and 112,035,500 Shares, which is based on 115,200,000 existing Shares in issue as at 30 September 2024 and adjusted by the effect of 3,164,500 Shares held for the Group’s share award scheme.
- (d) The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as if the Rights Issue had been completed as at 30 September 2024 is based on (i) unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed of approximately HK\$113,264,000 as at 30 September 2024; and (ii) 227,235,500 Shares, which comprise of (i) 112,035,500 existing Shares, which is based on 115,200,000 existing Shares in issue as at 30 September 2024 and adjusted by the effect of 3,164,500 Shares held for the Group’s share award scheme; and (ii) 115,200,000 Rights Shares expected to be issued on the completion of the Rights Issue (note (b) above).
- (e) No adjustment has been made to reflect the operating results or other transactions of the Group entered into subsequent to 30 September 2024.

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

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ascenda Cachet CPA Limited. Terms defined herein apply to this report only.

10/F, Tien Chu Commercial Building,
173 Gloucester Road, Wanchai, Hong Kong
香港灣仔告士打道173號天廚商業大廈10樓



Wan Kei Group Holdings Limited
Unit No. 07, 16/F.
Emperor Group Center
No. 288 Hennessy Road
Wanchai, Hong Kong

To the directors of Wan Kei Group Holdings Limited

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of Wan Kei Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) by the directors (the “**Directors**”) of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2024 as set out II-1 to II-3 to the circular (the “**Circular**”) dated 18 February 2025 issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the rights issue (the “**Rights Issue**”) on the basis of one rights share (the “**Rights Share**”) for every one existing share (“**Share**”) of the Company held on 25 March 2025 (the “**Record Date**”) on the Group’s consolidated net tangible assets as at 30 September 2024 as if the Rights Issue had taken place at 30 September 2024. As part of this process, information about the Group’s consolidated net tangible assets has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2024 as set out in the published interim report of the Group dated 27 November 2024.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 13 of Appendix D1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to *Accounting Guideline 7 Preparation of Pro forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

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

The Firm applies Hong Kong Standard on Quality Management 1, which requires the Firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 13 of Appendix D1B and paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by HKICPA.

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 30 September 2024 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ASCENDA CACHET CPA LIMITED

Certified Public Accountants

Wan Kin Man Tony

Practising Certificate Number: P05506

Hong Kong

18 February 2025

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. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following completion of the Increase in Authorised Share Capital but before completion of the Rights Issue; and (iii) immediately after the completion of the Rights Issue (assuming full acceptance of the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to the completion of the Rights Issue) are set out as follows:

(i) As at the Latest Practicable Date

HK\$

Authorised:

200,000,000 Shares of HK\$0.1 each	20,000,000
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Issued and paid-up share capital:

115,200,000 Shares* of HK\$0.1 each	11,520,000
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* Included in the issued share capital of 3,164,500 Shares were held for the Group's share award scheme.

(ii) Immediately following completion of the Increase in Authorised Share Capital but before completion of the Rights Issue:*Authorised*

1,000,000,000 Shares of HK\$0.1 each	100,000,000
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Issued and paid-up share capital:

115,200,000 Shares of HK\$0.1 each	11,520,000
------------------------------------	------------

(iii) Immediately after the completion of the Rights Issue (assuming fully issue of the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue)

Authorised:

1,000,000,000 Shares of HK\$0.1 each	100,000,000
--------------------------------------	-------------

Issued and paid-up share capital:

115,200,000 Shares of HK\$0.1 each	11,520,000
115,200,000 Rights Shares to be allotted and issued upon completion of the Rights Issue	<u>11,520,000</u>

230,400,000 Shares in issue immediately after completion of the Rights Issue	23,040,000
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All of the Shares in issue are fully-paid and rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. SHARE OPTION SCHEMES

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

4. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO that was 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 taken under such provisions of the SFO), or required to be 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 as set out in Appendix 10 of the Listing Rules.

Substantial shareholders' interest in Shares and underlying shares

As at the Latest Practicable Date, so far as it were known to the Directors or chief executive of the Company, the following persons (other than a director or chief executive of the Company) have an interests or a short positions in the shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name of substantial Shareholder	Capacity	Number of Shares	Approximate percentage of shareholdings
Su Guifang	Beneficial owner	11,592,000	10.06%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (not being Directors or chief executives of the Company) who had interest or short position in the Shares or underlying Shares which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them or his/her/ its respective close associates had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosable under the Listing Rules.

6. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors (i) had any interest in any assets which have been, since 31 March 2024 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and (ii) was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

9. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
Ascenda Cachet CPA Limited	Certified Public Accountants
Silver Nile Global Investments Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and/or the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024, being the date to which the latest published audited accounts of the Company were made up.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately preceding the date of this circular and which are or may be material to the Group.

- (i) the placing agreement dated 3 April 2024 entered into between the Company and the Placing Agent in relation to the placing, on a best effort basis, of up to 19,200,000 new Shares at the placing price of HK\$1.0 per placing Share under general mandate for net proceeds of approximately HK\$18.7 million; and
- (ii) the Placing Agreement.

11. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Board of Directors

Executive Directors

Mr. Bai Huawei

Mr. Wang Yu

Non-executive Directors

Mr. Xu Lin (*Chairman*)

Mr. Lui Kwok Wai

Independent non-executive Directors

Mr. Jiang Senlin

Mr. Zhang Yi

Ms. Dan Xi

Registered office

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Head office and principal place of business in Hong Kong	Unit No. 07, 16/F Emperor Group Center No. 288 Hennessy Road, Wanchai Hong Kong
Legal advisers to the Company as to Hong Kong laws	Li & Partners 22/F, World Wide House Central, Hong Kong
Company secretary	Ms. Wong Kit Ying
Auditors	Ascenda Cachet CPA Limited Certified Public Accountants 10/F Tien Chu Commercial Building 173 Gloucester Road Wanchai Hong Kong
Authorised representatives	Mr. Bai Huawei Unit No. 07, 16/F Emperor Group Center No. 288 Hennessy Road, Wanchai Hong Kong Ms. Wong Kit Ying Unit No. 07, 16/F Emperor Group Center No. 288 Hennessy Road, Wanchai Hong Kong
Principal bankers	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central, Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Central

	Bank of Communication Co., Ltd. 20 Pedder Street Central, Hong Kong
	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Central, Hong Kong
	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central, Hong Kong
	China Everbright Bank 23/F Everbright Centre 108 Gloucester Road Wan Chai, Hong Kong
Hong Kong share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Financial adviser	Rainbow Capital (HK) Limited Office No. 710, 7/F Wing On House No. 71 Des Voeux Road Central Hong Kong
Independent Financial Adviser	Silver Nile Global Investments Limited Suite 4301, Tower One, Times Square 1 Matheson Street Causeway Bay, Hong Kong
Placing Agent	Beta International Securities Limited Room 3326, 33/F China Merchants Tower, Shun Tak Centre 168-200 Connaught Road Central Sheung Wan, Hong Kong

12. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the financial advisory fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$1.6 million, which are payable by the Company.

13. PARTICULARS OF DIRECTORS OF THE COMPANY

Executive Directors

Mr. Bai Huawei, aged 45, has over 20 years of experience in securities trading, enterprise listing, investment, financing and fund management and also has extensive professional experience in the energy field during his past cooperation with central state-owned enterprises in China. He has been a managing director of Xinglin Investment (Hong Kong) Limited since December 2015, a representative for type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the “SFO”) (“Type 1”) of Shun Loong Securities Company Limited since May 2020 and a representative for type 9 (asset management) regulated activities under the SFO (“Type 9”) of Capital Focus Asset Management Limited since May 2020. Mr. Bai was also a representative for Type 1 of Emperor Securities Limited from March 2010 to May 2020, a representative for Type 1 of Emperor Wealth Management Limited from May 2012 to June 2017, a representative for type 2 (dealing in futures contracts) regulated activities under the SFO of Emperor Futures Limited from August 2017 to May 2020 and a representative and responsible officer for Type 9 of Emperor Asset Management Limited from August 2011 to October 2014 and from October 2014 to June 2017, respectively. Mr. Bai joined the Company since 7 September 2023.

Mr. Wang Yu, aged 39, is a managing partner at BRICs (Xiamen) Equity Investment Fund Co., Ltd.* since December 2018. Prior to that, Mr. Wang served as post-doctoral analyst at China Oceanwide Holdings Group Co., Ltd. from May 2017 to May 2019 and chief analyst at Zhuhai ValueHunter Investment Fund Management Co., Ltd. from September 2014 to September 2015. Mr. Wang obtained a bachelor’s degree in finance and a master’s degree in management studies from Waikato University in the New Zealand in June 2009 and August 2011 respectively, and a doctor’s degree in management from City University of Macau in September 2014. He was also a postdoctoral fellow in theoretical economics at Chinese Academy of Social Sciences in the People’s Republic of China from May 2017 to May 2019. Mr. Wang joined the Company since 5 January 2024.

Non-executive Directors

Mr. Lui Kwok Wai, aged 34, was appointed as the vice president of OCI International Holdings Limited (“**OCI International**”), a company listed on the Stock Exchange (Stock Code: 329), since November 2020. He is also a director of various subsidiaries of OCI International and the managing director and responsible officers of OCI Asset Management Company Limited, an indirectly wholly owned subsidiary of the OCI International. He manages SFC Type 1, Type 4 and Type 9 regulated activities and also acts as the overall management oversight and the manager-in-charge of key business line functions. Mr. Lui is focusing on company management, fund investment & capital market area, and business development. Mr. Lui has extensive experience in capital market and corporate finance. He served as the senior vice president of the leverage & acquisition finance division of Mason Securities Limited from October 2016 to July 2020. Mr. Lui was responsible for margin finance, general offer finance, merge & acquisition projects, asset management, advising on securities trading and funds investment, as well as issuance of investment research report.

Mr. Lui also served as non-executive director of China International Development Corporation Limited, a company listed on the Stock Exchange (stock code: 264), from February 2017 to March 2018. Mr. Lui obtained a bachelor’s degree of Science in Engineering (Environmental Engineering) from the University of California, San Diego in 2013. Mr. Lui joined the Company since 5 January 2024.

Mr. Xu Lin, aged 64, had obtained a bachelor’s degree in law from Xi’an Political Science and Law University* and a master’s degree in business administration from Capital University of Economics and Business in July 1996 and December 2001, respectively. He gained experience through various positions and has a solid foundation in economic theory and rich management experience. Mr. Xu currently serves as a non-executive director of Yunnan Jinggu Forestry Co., Ltd. (“**Yunnan Jinggu Forestry**”), a company listed on the Shanghai Stock Exchange (Stock Code: 600265) since December 2020, an independent non-executive director of Mei Ah Entertainment Group Limited, a company listed on the Stock Exchange (Stock Code: 391), since December 2022 and a non-executive director of Hao Tian International Construction Investment Group Limited, a company listed on the Stock Exchange (Stock Code: 1341), since October 2020. From September 2021 to January 2023, Mr. Xu worked for Chow Tai Fook Enterprises Limited as the senior vice president. Mr. Xu previously also served as a non-executive director of Goldstone Capital Group Limited, a company listed on the Stock Exchange (Stock Code: 1160), from December 2022 to October 2024, the chairman of the board of Yunnan Jinggu Forestry, from December 2020 to March 2024, an independent non-executive director of China United Venture Investment Limited (formerly known as Glory Mark Hi-Tech (Holdings) Limited), a company listed on GEM of the Stock Exchange (Stock Code: 8159) from March 2022 to December 2022, an executive director and the vice chairman of the board of DTXS Silk Road Investment Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 620), from April 2020 to February 2021, an independent non-executive director of Lamtex Holdings Limited

(Stock Code: 1041), from March 2020 to July 2020, and an executive director of Zhaobangji Lifestyle Holdings Limited (formerly known as Zhaobangji Properties Holdings Limited), a company listed on the Stock Exchange (Stock Code: 1660), from October 2019 to March 2020. Mr. Xu joined the Company since 4 November 2024.

Independent non-executive Directors

Mr. Jiang Senlin, aged 53, has over 20 years of experience in financial and investment management. He has been the vice-president, chief financial officer and chief executive officer in Wonderland International Asset Management Limited since January 2018. Mr. Jiang worked in Beijing Renge Technology Corp. Ltd* (NEEQ Code: 837824, voluntarily delisted in December 2018) as vice general manager and chief financial officer from September 2015 to December 2017. He also worked as chief financial officer (Asia) in Morningstar, Inc. (NASDAQ: MORN) from August 2009 to September 2015. Mr. Jiang has been an independent non-executive director of China Ruifeng Renewable Energy Holdings Limited, a company listed on the Stock Exchange (Stock Code: 527), since January 2019 and an executive director of Enviro Energy International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1102), since June 2019 to July 2024, and has been re-designated as a non-executive director since July 2024. From March to June 2022, Mr. Jiang was a non-executive director of Suoxinda Holdings Limited, a company listed on the Stock Exchange (Stock Code: 3680).

Mr. Jiang qualified as an accountant in the People's Public of China in May 1998 and as an intermediate financial officer conferred by the Ministry of Personnel People's Republic of China in November 1997. Mr. Jiang completed his research program in Art and Culture* at Sichuan University in July 2000 and obtained his bachelor's degree in Accountancy at the Central Institute of Finance (now known as the Central University of Finance and Economics) in June 1993. Mr. Jiang joined the Company since 7 September 2023.

Mr. Zhang Yi, aged 44, obtained his bachelor's degree in finance management from Xi'an Jiaotong University in July 2000. Mr. Zhang passed the SAC Securities Industry Professional Level Evaluation Test* by the Securities Association of China* on "securities trading"*, "securities investment analysis"* and "fundamental knowledge in securities market"* in June 2012. He had also passed the AMAC Fund Practitioner Qualification Examination* by Asset Management Association of China* on "fundamental knowledge in security investment funds"* and "laws and regulations, professional ethics and business practices of funds"*, in December 2016. In addition, Mr. Zhang has also been the general manager in Shenzhen Jingshi Culture Media Co., Ltd.* (formerly named as Shenzhen Sanzhi Mingxiang Cultural Media Co., Ltd*) since September 2015. Mr. Zhang joined the Company since 7 September 2023.

Ms. Dan Xi, aged 35, had obtained bachelor's degrees in laws and French from Wuhan University and a master's degree in laws from The Chinese University of Hong Kong in June 2012 and November 2013, respectively. She obtained her practicing license as a full-time lawyer issued by The Department of Justice, Guangdong in June 2015. Ms. Dan joined Beijing Dacheng Law Offices, LLP (Shenzhen) ("**Beijing Dacheng**") in June 2013 and is currently a deputy director of the dispute resolution department and a senior partner of Beijing Dacheng since 2022 and June 2024, respectively. She also serves as the secretary general of The Appeals and Reconsideration Professional Committee* of the Guangdong Lawyers Association since December 2023. Ms. Dan has been an independent non-executive director of WellCell Holdings Co., Limited, a company listed on the Stock Exchange (Stock Code: 2477), since 22 November 2024. From January 2023 to March 2024, Ms. Dan served as an independent non-executive director of Ruihe Data Technology Holdings Limited (formerly known as Suoxinda Holdings Limited), a company listed on the Stock Exchange (Stock Code: 3680). From January 2021 to January 2023, she was also a commercial mediator in Shenzhen Pingshan District Commercial Mediation Center*. Ms. Dan joined the Company since 4 November 2024.

Business address of the Directors

The business address of the Directors is the same as the Company's principal place of business in Hong Kong at Unit No. 07, 16/F, Emperor Group Center, No. 288 Hennessy Road, Wanchai, Hong Kong.

14. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprises all the independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Zhang Yi and Ms. Dan Xi. The primary duties of the audit committee include the review of the Group's financial reporting process and the internal control systems as well as risk management of the Group.

15. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Wong Kit Ying, who joined the Company in January 2017. She holds a bachelor of accounting degree in the Edinburgh Napier University and is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

- (c) The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.

16. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkex1718.hk) from the date of this circular up to and including the date of EGM:

- (i) the Letter from the Board, the text of which is set out on pages 10 to 33 of this circular;
- (ii) the letter from Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-25 of this circular;
- (iii) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (iv) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (v) the written consents of the experts referred to in the paragraph headed "Experts and consents" in this appendix.

NOTICE OF EGM



WAN KEI GROUP HOLDINGS LIMITED

宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Wan Kei Group Holdings Limited (the “**Company**”) will be held at 2:30 p.m. on Thursday, 13 March 2025 by way of virtual meeting for the purpose of considering and, if though fit, passing the following resolutions as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated Tuesday, 18 February 2025 (the “**Circular**”):

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the authorised share capital of the Company be increased from HK\$20,000,000 divided into 200,000,000 shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each by creating an additional 800,000,000 unissued shares of HK\$0.1 each to rank *pari passu* in all respects with the existing shares (the “**Increase in Authorised Share Capital**”); and
- (b) any one or more Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital (including without limitation instructing the registered office provider of the Company to make the necessary filings with the Registrar of Companies in the Cayman Islands).”

NOTICE OF EGM

2. “**THAT** conditional upon (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms); and (ii) the filing and registration of all documents relating to the Rights Issue required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Placing Agreement not being terminated in accordance with its terms:
- (a) the allotment and issue of 115,200,000 Rights Shares by way of Rights Issue at the Subscription Price of HK\$0.2 per Rights Share on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date other than those Non-Qualifying Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, after making enquiry regarding the legal restrictions under the laws of relevant place and requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from Rights Issue, based on legal advice provided by legal advisers in the relevant jurisdictions, and the transactions contemplated thereunder, be and are hereby approved;
 - (b) the Placing Agreement dated 17 January 2025 and entered into among the Company and the Placing Agent and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) the Board or a committee thereof be and is/are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of the place and requirements of the relevant regulatory body or stock exchange; and

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- (d) any Director be and is hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

Yours faithfully
By order of the Board
Wan Kei Group Holdings Limited
Xu Lin
Chairman

Hong Kong, 18 February 2025

Registered Office:

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit No. 07, 16/F
Emperor Group Center
No. 288 Hennessy Road, Wanchai
Hong Kong

As at the date of this notice, the executive Directors are Mr. Bai Huawei and Mr. Wang Yu; the non-executive Directors are Mr. Lui Kwok Wai and Mr. Xu Lin; and the independent non-executive Directors are Mr. Jiang Senlin, Mr. Zhang Yi and Ms. Dan Xi.

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A member holding two or more shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed for the holding of the EGM (i.e. at 2:30 p.m. on Tuesday, 11 March 2025) or any adjournment thereof.
3. The register of members of the Company will be closed from Friday, 7 March 2025 to Thursday, 13 March 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 6 March 2025.

NOTICE OF EGM

4. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The Company will conduct a virtual Extraordinary General Meeting using Tricor e-Meeting System, which allows Shareholders to participate the Extraordinary General Meeting online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the Extraordinary General Meeting via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the Extraordinary General Meeting to Shareholders who are unable to attend in person.

Non-registered Shareholders whose shares of the Company (“**Shares**”) are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend, vote and submit questions online at the EGM. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.
6. For online voting at the Extraordinary General Meeting, Shareholders can refer to the Online Meeting User Guide (by visiting the hyperlink or scanning the QR code as printed on the Company’s notification letter to be sent to the registered shareholders on Thursday, 6 March 2025 by post) for details. If you have any queries on the above, please contact the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2980 1333 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
7. Any voting at the EGM shall be taken by poll.

NOTICE OF EGM

SPECIAL ARRANGEMENTS AND GUIDANCE NOTES FOR THE EGM

The Company decided to hold the EGM in the form of a virtual meeting via the online meeting system (the “**Tricor e-Meeting System**”) provided by the Hong Kong branch share registrar, Tricor Investor Services Limited (the “**Hong Kong Branch Share Registrar**”).

NOTICE OF THE EGM, CIRCULAR AND PROXY FORM

Printed copies of the notice of the EGM, this circular and the proxy form will be sent to the Shareholders who have chosen to receive printed copies. The notice of the EGM, this circular and the proxy form may also be accessed at the Company’s website at www.hkex1718.hk and the Stock Exchange’s website at www.hkexnews.hk.

ATTENDANCE AND PARTICIPATION AT THE EGM

Shareholders will be able to participate at the EGM and exercise their voting rights by:

- (a) attending the EGM via the Tricor e-Meeting System which enables live streaming of the EGM, provide an interactive platform for questions-and-answers and allow the Shareholders to submit their votes online; or
- (b) appointing the chairman of the EGM or other persons as their proxies to vote on their behalf via the Tricor e-Meeting System.

The Shareholders will not be able to attend the EGM physically. Online voting is available for the Shareholders as well as authorized representatives/proxies appointed by Hong Kong Securities Clearing Company Limited.

Login details for the registered Shareholders

The Hong Kong Branch Share Registrar is expected to despatch the relevant login credentials to the Shareholders on Thursday, 6 March 2024 by post. Shareholders can login to the Tricor e-Meeting System by visiting the designated website and entering the login credentials so provided to attend the EGM online. Shareholders should note that only one device is allowed per login. If your proxy (except when the chairman of the EGM is appointed as proxy) wishes to attend the EGM and vote online, you must provide a valid email address on the proxy form for the necessary arrangements. If no email address is provided, your proxy cannot attend the EGM and vote online. The email address so provided will be used by the Hong Kong Branch Share Registrar for providing the login details for attending and voting at the EGM via Tricor e-Meeting System. If your proxy has not received the login details by email by 2:30 p.m. on Wednesday, 12 March 2025 (Hong Kong time), you should contact the Hong Kong Branch Share Registrar’s hotline at (852) 2980 1333 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays) for the necessary arrangements.

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PLEASE KEEP THE LOGIN DETAILS IN SAFE CUSTODY FOR USE AT THE EGM AND DO NOT DISCLOSE THEM TO ANYONE ELSE.

Neither the Company nor the Hong Kong Branch Share Registrar assumes any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for attendance, voting or otherwise. The submission of the vote through Tricor e-Meeting System using your login details will be conclusive evidence that the vote was cast by you as a Shareholder. The Company, its agents and the Hong Kong Branch Share Registrar take no responsibility for all or any loss or other consequence caused by or resulting from any unauthorized use of the login details.

Login details for the non-registered Shareholders

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend, vote and submit questions online at the EGM. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements. They will be asked to provide their email address which will be used by the Hong Kong Branch Share Registrar for providing the login details for attending the EGM via the Tricor e-Meeting System.

QUESTIONS AT AND PRIOR TO THE EGM

Shareholders attending the EGM through the Tricor e-Meeting System may submit questions relevant to the proposed resolution online during the EGM. The Board will endeavour to respond to substantial and relevant queries from Shareholders at the EGM.

For enquiries relating to the arrangements of the EGM, please contact the Hong Kong Branch Share Registrar via their hotline at (852) 2980 1333 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).