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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

If you have sold or transferred all your shares in China Wacan Group Company Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

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**China Alliance Venture Limited**  
**中國創投聯合會有限公司**  
*(Incorporated in Hong Kong with limited liability)*

**China Wacan Group Company Limited**  
**中國網成集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1920)**

### COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY YELLOW RIVER SECURITIES LIMITED FOR AND ON BEHALF OF CHINA ALLIANCE VENTURE LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF CHINA WACAN GROUP COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CHINA ALLIANCE VENTURE LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

**Financial adviser to the Offeror**



**Offer agent to the Offeror**



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



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Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) having the same meanings as those defined in the "Definitions" section of this Composite Document.

A letter from Yellow River Securities containing, among other things, principal terms of the Offer is set out on pages 8 to 18 of this Composite Document. A letter from the Board is set out on pages 19 to 24 of this Composite Document. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 25 to 26 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 27 to 52 of this Composite Document.

The procedures for acceptance and settlement as well as other related information of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Form of Acceptance should be received by the Registrar, namely Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on Wednesday, 30 April 2025 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "The Offer – Overseas Shareholders" in the "Letter from Yellow River Securities" of this Composite Document before taking any action. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions). The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer (as applicable).

This Composite Document is issued jointly by the Offeror and the Company. This Composite Document will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and website of the Company at [www.handsform.com](http://www.handsform.com) as long as the Offer remains open. In case of any inconsistency, the English language texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

9 April 2025

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.*

**2025**

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (*Note 1*) . . . . . Wednesday, 9 April 2025

Latest time and date for acceptance of the Offer (*Notes 1, 2 and 4*). . . . . 4:00 p.m. on Wednesday, 30 April 2025

Closing Date (*Notes 1 and 2*). . . . . Wednesday, 30 April 2025

Announcement of the results of the Offer, to be posted on the website of the Stock Exchange (*Note 1*) . . . . . no later than 7:00 p.m. on Wednesday, 30 April 2025

Latest date for posting of remittances in respect of valid acceptances received under the Offer (*Notes 3 and 4*) . . . . . Tuesday, 13 May 2025

*Notes:*

- (1) The Offer, which is unconditional in all respect, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.

In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Wednesday, 30 April 2025 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Wednesday, 30 April 2025 stating the results of the Offer and whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer, and the announcement regarding the extension of the Offer does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

- (2) Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the paragraph headed "5. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
- (4) If there is a tropical cyclone warning signal number 8 or above, a "black rainstorm warning signal" or "extreme conditions" announced by the Government of Hong Kong:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force at or after 12:00 noon on the latest date for acceptance of the Offer under Rule 15.1 of the Takeovers Code, any publication date of a closing announcement under Rule 19.1 of the Takeovers Code or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, these dates, as the case may be, will remain on the same Business Day; or

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## EXPECTED TIMETABLE

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- (b) in force in Hong Kong at any local time at 12:00 noon and/or thereafter on the latest date for acceptance of the Offer under Rule 15.1 of the Takeovers Code, any publication date of a closing announcement under Rule 19.1 of the Takeovers Code or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, these dates, as the case may be, will rescheduled to the following Business Day which does not have any of those warnings or condition in force in Hong Kong at any local time at 12:00 noon and/or thereafter or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offer do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

**All references to dates and times contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong dates and times.**

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## **IMPORTANT NOTICE**

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### **NOTICE TO THE OVERSEAS SHAREHOLDERS**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements and, where necessary, seek independent legal advice in respect of the Offer.

It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due from him/her/it in respect of such jurisdiction.

Any acceptance by the Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with and such acceptance shall be lawful, valid and binding in accordance with all applicable laws. Such Overseas Shareholders should consult their respective professional advisers if in doubt.

The Offeror and parties acting in concert with it, the Company, Astrum Capital, Yellow River Securities, Merdeka, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers and associates, agents or any other persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes or duties as such person may be required to pay. Please refer to the paragraph headed “The Offer – Overseas Shareholders” in the letter from Yellow River Securities and the paragraph headed “7. Overseas Shareholders” in the Appendix I to this Composite Document for further details.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “concert parties” shall be construed accordingly
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Astrum Capital”	Astrum Capital Management Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in respect of the Offer
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS 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 from time to time in force
“Closing Date”	Wednesday, 30 April 2025, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code
“Company”	China Wacan Group Company Limited (中國網成集團有限公司) (formerly known as Hands Form Holdings Limited (恆新豐控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 1920)

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## DEFINITIONS

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“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement, which took place on the Completion Date
“Completion Date”	the date on which Completion took place, being 15 January 2025
“Composite Document”	the composite offer and response document dated 9 April 2025 and jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the form of acceptance and transfer) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser of the Company
“Consideration”	the amount of HK\$50,000,000, being consideration payable by the Offeror to the Vendor for the acquisition of the Sale Shares
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“General Rules of CCASS”	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 CCASS Operational Procedures
“Group”	the Company together with its subsidiaries
“Guarantor”	Mr. Cheung Kwok Fai Adam, an executive Director, who owns 84% of the issued share capital of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke, which has been established by the Company for the purpose of advising the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer
“Independent Financial Adviser” or “Merdeka”	Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer
“Independent Shareholder(s)”	holder(s) of Share(s), other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement dated 23 January 2025 jointly issued by the Offeror and the Company in relation to, among others, the Acquisition and the Offer
“Last Trading Day”	15 January 2025, being the last trading day of the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	7 April 2025, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Mr. Zhou”	Mr. Zhou Zhenlin, the chairman of the Board, an executive Director and the sole shareholder and sole director of the Offeror
“Offer”	the mandatory unconditional cash offer to be made by Yellow River Securities, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code



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## DEFINITIONS

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“Offer Facility”	a loan facility of up to HK\$30.0 million made available by Ultra Accord to the Offeror for financing the consideration payable under the Offer
“Offer Facility Personal Guarantee”	the personal guarantee provided by Mr. Zhou in favour of Ultra Accord under a deed of personal guarantee which guarantees the Offeror’s payment obligations under the Offer Facility
“Offer Facility Share Charge”	the share charge provided by the Offeror in favour of Ultra Accord over the Offer Shares to be acquired by the Offeror under the Offer, which shall become enforceable by Ultra Accord immediately upon the Offeror having breached or defaulted upon its obligations under the Offer Facility
“Offer Period”	the period commenced on 23 January 2025 and ends on the Closing Date in accordance with the Takeovers Code
“Offer Price”	the cash amount of HK\$0.2565 payable by the Offeror for each Offer Share
“Offer Share(s)”	any of the 117,000,000 Shares that are subject to the Offer
“Offeror”	China Alliance Venture Limited (中國創投聯合會有限公司), a company incorporated in Hong Kong with limited liability and beneficially wholly-owned by Mr. Zhou, being the purchaser under the Sale and Purchase Agreement
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of the Company at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
“Relevant Period”	the period commencing on 23 July 2024, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date

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## DEFINITIONS

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“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 January 2025 entered into among the Vendor, the Guarantor and the Offeror in relation to the sale and purchase of the Sale Shares
“Sale Share(s)”	the 195,000,000 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement, representing 62.5% of the entire issued share capital of the Company as at the Latest Practicable Date
“Sale Shares Facility”	a loan facility of up to HK\$50.0 million made available by Ultra Accord to the Offeror for financing the Consideration. As at the Latest Practicable Date, the Offeror has not repaid all its obligation under the Sale Shares Facility
“Sale Shares Facility Personal Guarantee”	the personal guarantee provided by Mr. Zhou in favour of Ultra Accord under a deed of personal guarantee which guarantees the Offeror’s payment obligations under the Sale Shares Facility
“Sale Shares Facility Share Charge”	the share charge provided by the Offeror in favour of Ultra Accord over the Sale Shares acquired by the Offeror from the Vendor, which shall become enforceable by Ultra Accord immediately upon the Offeror having breached or defaulted upon its obligations under the Sale Shares Facility
“SFC”	the 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 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Ultra Accord”	Ultra Accord Limited, a company incorporated in Hong Kong with limited liability and a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong)

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## DEFINITIONS

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“Vendor”	Wonderful Renown Limited, a company incorporated in the BVI with limited liability, which is legally and beneficially owned as to 84% by the Guarantor and 16% by Ms. Cheung Lai Chun, sister of the Guarantor
“Yellow River Securities”	Yellow River Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, the agent making the Offer on behalf of the Offeror
“%”	per cent.

Unless the context otherwise requires, all references in this Composite Document to:

- (a) times and dates are references to Hong Kong times and dates, except as otherwise specified;
- (b) pronouns in masculine, feminine or neutral genders shall be construed to state and include any other gender; and
- (c) words, terms and titles in the singular form shall be construed to include the plural and vice versa.

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# LETTER FROM YELLOW RIVER SECURITIES

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黃河證券有限公司  
Yellow River Securities Limited

*To the Independent Shareholders:*

9 April 2025

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YELLOW RIVER SECURITIES LIMITED FOR AND ON BEHALF OF  
CHINA ALLIANCE VENTURE LIMITED TO ACQUIRE ALL THE ISSUED  
SHARES OF CHINA WACAN GROUP COMPANY LIMITED (OTHER THAN  
THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
CHINA ALLIANCE VENTURE LIMITED AND/OR PARTIES ACTING IN  
CONCERT WITH IT)**

## **INTRODUCTION**

References are made to (i) the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer; and (ii) the joint announcement of the Offeror and the Company dated 13 February 2025 in relation to the delay in despatch of the Composite Document. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

### **The Sale and Purchase Agreement**

As disclosed in the Joint Announcement, on 15 January 2025 (after trading hours), the Vendor, the Guarantor and the Offeror entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$50,000,000 (representing approximately HK\$ \$0.2564 per Sale Share).

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## LETTER FROM YELLOW RIVER SECURITIES

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The Consideration was agreed between the Offeror and the Vendor after arm's length negotiations, taking into account (i) deteriorating operating performance of the Group, evidenced by the decrease in total revenue of the Group from approximately HK\$122.5 million for the year ended 31 December 2022 ("FY2022") to approximately HK\$86.7 million for the year ended 31 December 2023 ("FY2023") and further to approximately HK\$38.4 million for the six months ended 30 June 2024 ("1H2024"); (ii) loss and total comprehensive expense recorded by the Company of approximately HK\$56.2 million, approximately HK\$51.6 million and approximately HK\$25.5 million for FY2022, FY2023 and 1H2024, respectively; (iii) the premium to the Group's consolidated net assets value attributable to the Shareholders per Share as at 31 December 2023 and 30 June 2024, respectively, details of which are set forth in the paragraph headed "The Offer – Comparison of value" in this letter; and (iv) the Company's average daily trading volume for the 30 consecutive trading days immediately prior to and including the Last Trading Day represented merely approximately 0.2% of the total issued share capital of the Company, which suggests a relatively limited market liquidity for the Shares.

Completion took place on the Completion Date, being 15 January 2025.

The Consideration has been settled in full by the Offeror by drawing down the Sale Shares Facility on the Completion Date. The Sale Shares Facility is secured by (i) the Sale Shares Facility Share Charge; (ii) the Sale Shares Facility Personal Guarantee; (iii) a subordination agreement executed by the Offeror and Mr. Zhou which primarily provides that the Offeror is obliged to first repay all outstanding amount due to Ultra Accord as lender under the Sale Shares Facility before any repayment of loans due from the Offeror to its sole shareholder, namely, Mr. Zhou, from time to time (if any); and (iv) a custodian agreement executed by the Offeror, Ultra Accord and Yellow River Securities, pursuant to which the parties agreed that Yellow River Securities shall be appointed as the custodian to hold the Sale Shares, which were deposited into a designated account in the Offeror's name, in favour of Ultra Accord as security for the due performance of the repayment by the Offeror under the Sale Shares Facility. The Sale Shares Facility Share Charge shall become enforceable by Ultra Accord immediately upon the Offeror having breached or defaulted upon its obligations under the Sale Shares Facility. As at the Latest Practicable Date, the Offeror has not repaid all its obligation under the Sale Shares Facility, and the Offeror was not in breach or in default of the Sale Shares Facility.

Ultra Accord is a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) and is wholly and beneficially owned by Ms. Chu Chui Ling, who is a Hong Kong citizen and an investor with investments mainly in listed securities and properties in Hong Kong and with experience in the money lending sector in Hong Kong. Ultra Accord and Ms. Chu Chui Ling are parties acting in concert with the Offeror and Mr. Zhou under class (9) of the definition of acting in concert under the Takeovers Code.

Save as aforesaid, the Offeror confirmed that the Offeror and Mr. Zhou had no other relationship with Ultra Accord or Ms. Chu Chui Ling. Ultra Accord and Ms. Chu Chui Ling were not Shareholders as at the Latest Practicable Date.

Pursuant to the Sale and Purchase Agreement, Mr. Cheung Kwok Fai Adam, as the Guarantor, unconditionally and irrevocably:

- (a) guaranteed to the Offeror the due and punctual performance and observance by the Vendor of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Sale and Purchase Agreement; and

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## LETTER FROM YELLOW RIVER SECURITIES

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- (b) agree to indemnify the Offeror against all losses, damages, costs and expenses (including legal costs and expenses) which the Offeror may reasonably incur or suffer through or arising from any breach by the Vendor of such obligations, commitments, warranties, undertakings, indemnities or covenants.

The liability of the Guarantors as aforesaid shall not be released or diminished by any arrangements or alterations of terms (whether of the Sale and Purchase Agreement or otherwise) or any forbearance, neglect or delay in seeking performance of the obligations thereby imposed or any granting of time for such performance.

### **Mandatory unconditional cash offer**

Immediately prior to Completion, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them owned, controlled or had direction over any Share or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion which took place on the Completion Date and as at the Latest Practicable Date, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them were interested in an aggregate 195,000,000 Shares, representing approximately 62.5% of the total issued share capital of the Company.

The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make the Offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer will be made to the Independent Shareholders. Yellow River Securities is making the Offer for and on behalf of the Offeror.

### **Purpose of this letter**

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer and the procedures for accepting and settlement of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders, the "Letter from the Independent Financial Adviser" to the Independent Board Committee and the Independent Shareholders and the appendices as set out in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

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# LETTER FROM YELLOW RIVER SECURITIES

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## THE OFFER

### Principal terms of the Offer

Yellow River Securities is making the Offer, for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

### The Offer

**Offer Price for each Offer Share . . . . . HK\$0.2565 in cash**

The Offer Price of HK\$0.2565 per Offer Share is approximately equal to but not lower than the purchase price per Sale Share of approximately HK\$0.2564 per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company has 312,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible into Shares or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

The Offer is unconditional in all respects and is extended to all Independent Shareholders in accordance with the Takeovers Code.

Under the terms of the Offer, the Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and benefits attached thereto as at the date of the Composite Document or subsequently becoming attached to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### Comparison of value

The Offer Price of HK\$0.2565 per Offer Share represents:

- a discount of approximately 70.85% to the closing price of HK\$0.8800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 70.72% to the average closing price of approximately HK\$0.8760 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 70.85% to the average closing price of approximately HK\$0.8800 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM YELLOW RIVER SECURITIES

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- a discount of approximately 70.51% to the average closing price of approximately HK\$0.8697 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 43.00% to the closing price of HK\$0.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a premium of approximately 714.29% to the Group's audited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$0.0315 as at 31 December 2024 (based on a total of 312,000,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net assets value attributable to the Shareholders of approximately HK\$9,830,000 as at 31 December 2024).

### **Highest and lowest Share prices**

During the Relevant Period, (a) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.20 per Share on 17 September 2024; and (b) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.275 per Share on 8 July 2024.

### **Total consideration for the Offer Shares**

As at the Latest Practicable Date, the Company has 312,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible into Shares or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

Assuming that there is no change in the issued share capital of the Company and based on the Offer Price of HK\$0.2565 per Offer Share, the total issued share capital of the Company is valued at HK\$80,028,000. As the Offeror, its ultimate beneficial owner and parties acting in concert with any of them hold 195,000,000 Shares as at the Latest Practicable Date, 117,000,000 Shares are subject to the Offer. Based on the Offer Price of HK\$0.2565 per Offer Share, the consideration of the Offer would be HK\$30,010,500 in the event that the Offer is accepted in full.

### **Financial resources available for the Offer**

The maximum amount of cash payable by the Offeror in respect of the consideration payable upon full acceptances of the Offer is HK\$30,010,500, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer.



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## LETTER FROM YELLOW RIVER SECURITIES

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The Offeror intends to finance the consideration payable under the Offer by the Offer Facility of up to HK\$30.0 million granted to it by Ultra Accord and its own internal resources. The Offer Facility is secured by (i) the Offer Facility Share Charge; (ii) the Offer Facility Personal Guarantee; (iii) a subordination agreement executed by the Offeror and Mr. Zhou which primarily provides that the Offeror is obliged to first repay all outstanding amount due to Ultra Accord as lender under the Offer Facility before any repayment of loans due from the Offeror to its sole shareholder, namely, Mr. Zhou, from time to time (if any); and (iv) a custodian agreement executed by the Offeror, Ultra Accord and Yellow River Securities, pursuant to which the parties agreed that Yellow River Securities shall be appointed as the custodian to hold the Offer Shares to be acquired by the Offeror under the Offer, which shall be deposited into a designated account in the Offeror's name, in favour of Ultra Accord as security for the due performance of the repayment by the Offeror under the Offer Facility. The Offer Facility Share Charge shall become enforceable by Ultra Accord immediately upon the Offeror having breached or defaulted upon its obligations under the Offer Facility.

The Offeror does not intend that the payment of interest on, repayment of or provision of security for any liability (contingent or otherwise) under the Sale Shares Facility or the Offer Facility will depend to any significant extent on the business of the Company.

Astrum Capital, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

### **Effect of accepting the Offer**

By accepting the Offer, the Independent Shareholders will be deemed to warrant that all the Offer Shares to be sold by such person under the Offer are fully paid and free from all encumbrances and together with all rights and benefits attaching thereto as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive in full all dividends, distributions and any return of capital, if any, which may be made or declared or agreed to be made or declared, and the record date of which falls on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

The Company confirmed that as at the Latest Practicable Date, (i) it has not declared any dividend which is not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the Closing Date.

The Offer is unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions, and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed "5. Right of withdrawal" in Appendix I to this Composite Document.

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# LETTER FROM YELLOW RIVER SECURITIES

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## **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of a duly completed acceptance of the Offer. Relevant documents evidencing title of the Offer Shares must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

## **Hong Kong Stamp duty**

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders accepting the Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **Taxation advice**

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Astrum Capital, Yellow River Securities and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

## **Overseas Shareholders**

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Shareholders in respect of such jurisdictions).

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## LETTER FROM YELLOW RIVER SECURITIES

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Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. Based on the register of members of the Company, as at the Latest Practicable Date, there is no Overseas Shareholder.

### INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares have been listed on the Main Board since 16 August 2019. The Group is currently engaged in (i) the provision of wet trades works and wet trades related ancillary works in Hong Kong; (ii) the provision of construction information technology services in Hong Kong; and (iii) the beauty and healthcare business in the PRC.

The financial information of the Group is set out in Appendix II to this Composite Document. Your attention is also drawn to the general information in relation to the Group as set out in Appendix III to this Composite Document.

### INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in Hong Kong with limited liability on 9 January 2025 and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into of the Sale and Purchase Agreement, the Offeror did not engage in any other business activities. As at the Latest Practicable Date, the Offeror is beneficially wholly-owned by Mr. Zhou, the chairman of the Board and an executive Director.

Mr. Zhou, aged 44, was appointed as an executive Director on 6 September 2024 and the chairman of the Board on 30 October 2024. Leveraging his experience in several business areas including skincare and beauty products, health management, online sales, digital technology and leisure activities, Mr. Zhou is primarily responsible for the future potential business expansion and diversification of the Group in the PRC, in particular the Group's new beauty business. Mr. Zhou is the sole shareholder and sole director of the Offeror. From April 2004 to December 2011, Mr. Zhou served as a deputy general manager of Shenzhen Jiameiran Technology Company Limited\* (深圳市嘉美然科技有限公司), a company principally engaged in the sales of skincare products and beauty instruments and he was responsible for the company's sales and marketing management. From January 2012 to August 2017, Mr. Zhou served as a president of Shenzhen Runfei Technology Company Limited\* (深圳潤妃科技有限公司), which is also principally engaged in the sales of skincare products and beauty instruments. Since September 2017 until present, Mr. Zhou has been appointed as the chairman of Tofuls International Holdings Group Co., Ltd.\* (同芙國際控股集團有限公司), which is principally engaged in health and wellness management consultation. Since June 2023 until present, Mr. Zhou has been appointed as the chairman of World Chinese Business (Guangdong) Technology Co., Ltd.\* (世界華商(廣東)科技有限公司), which is principally engaged in providing digital technology services. Since November 2023 until present, Mr. Zhou has been appointed as the chairman of Shihua International Club Company Limited\* (世華國際俱樂部有限公司), which is principally engaged in providing information consulting services in the areas of health and leisure activities. Mr. Zhou completed the business administration course of Business School of Guangxi University (廣西大學商學院) (currently known as the School of Business, Guangxi University (廣西大學工商管理學院)) in July 2003.

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# LETTER FROM YELLOW RIVER SECURITIES

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## INTENTION OF THE OFFEROR REGARDING THE GROUP

As at the Latest Practicable Date, the Offeror was the controlling shareholder of the Company and the Offeror, its ultimate beneficial owner and parties acting in concert with any of them were interested in approximately 62.5% of the issued share capital of the Company.

The Offeror intends to continue the existing business of the Group after completion of the Offer. The Offeror also intends to review the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of the review, the Offeror may explore other business opportunities, seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

As at the Latest Practicable Date, no investment or business opportunity has been identified nor have the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group, or disposal of or downsizing of the Group's existing business. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate).

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

Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or redeploy the assets of the Group other than those in its ordinary and usual course of business; and (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of existing business of the Group.

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# LETTER FROM YELLOW RIVER SECURITIES

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## **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror will, together with the Company, use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules.

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

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

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

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

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror (namely Mr. Zhou), the Directors (namely Mr. Zhou, Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung, Mr. Ma Kan Sun, Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke) and any new Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

## **ACCEPTANCE AND SETTLEMENT OF THE OFFER**

Your attention is drawn to the details regarding the procedures for acceptance of the Offer as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

## **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

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# LETTER FROM YELLOW RIVER SECURITIES

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## GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members. None of the Offeror, parties acting in concert with the Offeror, the Vendor, the Company, Astrum Capital, Yellow River Securities, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates, as applicable, or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are also reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” contained in this Composite Document and to consult your professional advisers as you see fit, before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Yellow River Securities Limited**  
**Yiu Shing Wai**  
*Director*

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## LETTER FROM THE BOARD

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### China Wacan Group Company Limited

### 中國網成集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1920)

*Executive Directors:*

Mr. Zhou Zhenlin (*Chairman of the Board and President*)

Mr. Cheung Kwok Fai Adam (*Chief Executive Officer*)

Mr. Ng Sheung Chung

Mr. Ma Kan Sun

*Registered office in the Cayman Islands:*

Winward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Independent non-executive Directors:*

Ms. Ding Xin

Mr. Zhu Qi

Ms. Zhang Lingke

*Principal Place of Business*

*in Hong Kong:*

Room 9, 2/F

Hang Bong Commercial Centre

28 Shanghai Street

Jordan, Kowloon

Hong Kong

9 April 2025

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YELLOW RIVER SECURITIES LIMITED FOR AND ON BEHALF OF  
CHINA ALLIANCE VENTURE LIMITED TO ACQUIRE ALL THE ISSUED  
SHARES OF CHINA WACAN GROUP COMPANY LIMITED (OTHER THAN  
THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
CHINA ALLIANCE VENTURE LIMITED AND/OR PARTIES ACTING IN  
CONCERT WITH IT)**

#### INTRODUCTION

Reference is made to the Joint Announcement.

On 15 January 2025 (after trading hours), the Vendor, the Guarantor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell the Sale Shares, being 195,000,000 Shares in aggregate, representing 62.5% of the entire issued share capital of the Company as at the date of the Joint Announcement, at a consideration of HK\$50,000,000 in aggregate, equivalent to HK\$0.2564 per Sale Share. Completion took place immediately upon the signing of the Sale and Purchase Agreement on the Completion Date, being 15 January 2025.

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## LETTER FROM THE BOARD

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As mentioned in the “Letter from Yellow River Securities” contained in this Composite Document, immediately prior to the Completion, the Offeror, its ultimate beneficial owner and parties acting in concert with them did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in an aggregate of 195,000,000 Shares, representing 62.5% of the entire issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter forms part of this Composite Document and set out, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all independent non-executive Directors, namely, Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke, has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. The above-named non-executive Directors have no direct or indirect interest or involvement in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

As announced on 13 February 2025, Merdeka has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.



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## LETTER FROM THE BOARD

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### THE OFFER

As set out in the “Letter from Yellow River Securities” contained in this Composite Document, Yellow River Securities will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.2565 in cash**

The Offer Price of HK\$0.2565 per Offer Share is approximately equal to but not lower than the purchase price per Sale Share of approximately HK\$0.2564 paid by the Offeror under the Sale and Purchase Agreement. No fractions of a cent will be payable and the amount of consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and benefits attached thereto, including but not limited to the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend which is outstanding and not yet paid and the Company does not intend to declare, make or pay any dividend or other distributions prior to close of the Offer.

Please also refer to the “Letter from Yellow River Securities” contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance for further information in relation to, among other things, the Offer and acceptance and settlement procedures of the Offer.

### INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares have been listed on the Main Board of the Stock Exchange since 16 August 2019. The Group is currently engaged in (i) the provision of wet trades works and wet trades related ancillary works in Hong Kong; (ii) the provision of construction information technology services in Hong Kong; and (iii) the beauty and healthcare business in the PRC.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date are set forth as follows:

	Immediately prior to Completion		Immediately upon Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor	195,000,000	62.5	–	–
Offeror, its ultimate beneficial owner and parties acting in concert with any of them	–	–	195,000,000	62.5
Independent Shareholders	<u>117,000,000</u>	<u>37.5</u>	<u>117,000,000</u>	<u>37.5</u>
Total	<u><u>312,000,000</u></u>	<u><u>100.0</u></u>	<u><u>312,000,000</u></u>	<u><u>100.0</u></u>

*Notes:*

1. The Vendor is legally and beneficially owned as to 84% by the Guarantor, an executive Director and 16% by Ms. Cheung Lai Chun, sister of the Guarantor. By virtue of the SFO, the Guarantor is deemed to be interested in all the Shares held by the Vendor.
2. The Offeror is beneficially wholly-owned by Mr. Zhou, the chairman of the Board and an executive Director.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Yellow River Securities” contained in this Composite Document.

### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed “Intention of the Offeror regarding the Group” in the “Letter from Yellow River Securities” contained in this Composite Document for details regarding Offeror’s intention on the business of the Group.

In particular, as stated in the “Letter from Yellow River Securities”, the Offeror intends to continue the existing business of the Group. The Offeror also intends to review the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of the review, the Offeror may explore other business opportunities, seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, no investment or business opportunity has been identified nor have the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group, or disposal of or downsizing of the Group's existing business. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate).

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

As stated in the "Letter from Yellow River Securities", save for the Offeror's intention regarding the Group as set out therein, the Offeror has no intention to make material changes to the employment of the management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); or to dispose of or redeploy the assets of the Group other than those in its ordinary and usual course of business.

The Board is aware of the Offeror's intention in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

### **PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY**

As stated in the "Letter from Yellow River Securities" contained in this Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange.

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

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

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

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## LETTER FROM THE BOARD

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Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror (namely Mr. Zhou), the Board (namely Mr. Zhou, Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung, Mr. Ma Kan Sun, Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke) and any new Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any outstanding Offer Shares after the close of the Offer.

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 25 to 26 of this Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offer, and (ii) the “Letter from the Independent Financial Adviser “ as set out on pages 27 to 52 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

### ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from Yellow River Securities” and the additional information contained in the appendices to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,  
By order of the Board  
**China Wacan Group Company Limited**  
**Zhou Zhenlin**  
*Chairman and Executive Director*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer for inclusion in this Composite Document.*

## **China Wacan Group Company Limited**

### **中國網成集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1920)**

9 April 2025

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YELLOW RIVER SECURITIES LIMITED FOR AND ON BEHALF OF  
CHINA ALLIANCE VENTURE LIMITED TO ACQUIRE ALL THE ISSUED  
SHARES OF CHINA WACAN GROUP COMPANY LIMITED (OTHER THAN  
THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
CHINA ALLIANCE VENTURE LIMITED AND/OR PARTIES ACTING IN  
CONCERT WITH IT)**

#### **INTRODUCTION**

We refer to the Composite Document issued jointly by the Offeror and the Company dated 9 April 2025 of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the Offer is fair and reasonable and to make a recommendation as to the acceptance of the Offer.

Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us in respect of the above. Detail of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 27 to 52 of the Composite Document.

We also wish to draw your attention to the “Letter from Yellow River Securities” and the “Letter from the Board” as set out in the Composite Document as well as the additional information set out in the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the Offer and to make recommendations to the Independent Shareholders.

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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## RECOMMENDATIONS

Having considered the terms of the Offer and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we consider that the Offer is not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders not to accept the Offer. The Independent Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” as set out in the Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Offer. Should the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

Notwithstanding our recommendations, the Independent Shareholders are strongly advised that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Ms. Ding Xin**  
*Independent*  
*non-executive Director*

**Mr. Zhu Qi**  
*Independent*  
*non-executive Director*

**Ms. Zhang Lingke**  
*Independent*  
*non-executive Director*

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



Room 1108-1110, 11/F.  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

9 April 2025

*To: The Independent Board Committee and the Independent Shareholders of  
China Wacan Group Company Limited*

Dear Sirs or Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YELLOW RIVER SECURITIES LIMITED FOR AND ON BEHALF OF  
CHINA ALLIANCE VENTURE LIMITED TO ACQUIRE ALL THE ISSUED  
SHARES OF CHINA WACAN GROUP COMPANY LIMITED (OTHER THAN  
THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
CHINA ALLIANCE VENTURE LIMITED AND/OR PARTIES ACTING IN  
CONCERT WITH IT)**

## INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the composite document dated 9 April 2025 (the “**Composite Document**”) jointly issued by the Offeror and China Wacan Group Company Limited (the “**Company**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in this Composite Document unless the context requires otherwise.

As set out in the Board Letter, on 15 January 2025 (after trading hours), the Vendor, the Guarantor and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sale Shares, being 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company as at the Latest Practicable Date, for a total cash consideration of HK\$50,000,000 (representing approximately HK\$0.2564 per Sale Share), which was settled in full by the Offeror by drawing down the Sale Shares Facility granted to it by Ultra Accord.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it own 195,000,000 Shares, representing 62.5% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, the Company has 312,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Offer is fair and reasonable and as to acceptance so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

### OUR INDEPENDENCE

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

We are independent of and not connected with the Company, the Offeror, the Vendor, the Guarantor, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of the Rule 3.5 announcement, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Merdeka and (i) the Group (ii) the Vendor and its ultimate beneficial owners or (iii) the Offeror and its ultimate beneficial owner or (iv) any parties acting in concert with any of them. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions, and representations contained in or referred to in this Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual results announcement of the Group for the year ended 31 December 2024 (the “**2024 Annual Results Announcement**”) and annual report of the Group for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the interim report of the Group for the six months ended 30 June 2024 (the “**2024 Interim Report**”), this Composite Document, relevant announcements published by the Company, the industry trends of the Group’s principal business, the historical Share price performance and the trading liquidity of the Company, and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this Composite Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in this Composite Document and our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of opinion made by the Directors and the Management in this Composite Document were reasonably made after due enquiries and careful consideration.

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

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

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

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Background information on the Group

#### 1.1 Principal business

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares have been listed on the Main Board since 16 August 2019. The Group is currently engaged in (i) the provision of wet trades works and wet trades-related ancillary works in Hong Kong for both public and private sectors (principally in domestic segment) (the “**Construction Services**”); (ii) the provision of construction information technology services in Hong Kong (the “**Construction IT Services**”); and (iii) the beauty services and health services in the PRC (the “**Beauty & Healthcare Business**”). As advised by the Management, the Beauty & Healthcare Business are still in the preliminary stage, and no revenue has been recorded for FY2024 as noted from the 2024 Annual Results Announcement.

#### 1.2 Historical financial information

Set out below is a summary of the consolidated results of the Group for (i) the six months ended 30 June 2024 (“**HY2024**”) and 30 June 2023 (“**HY2023**”) as extracted from the 2024 Interim Report; and (ii) three financial years ended 31 December 2022 (“**FY2022**”), 31 December 2023 (“**FY2023**”) and 31 December 2024 (“**FY2024**”) as extracted from the 2023 Annual Report and 2024 Annual Results Announcement, respectively.

	For the six months ended		For the years ended		
	30 June		31 December		
	2024	2023	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Audited	Audited	Audited
Revenue	38,368	41,235	109,950	86,702	122,517
– Construction Services	38,368	40,869	109,584	86,336	121,720
– Construction IT Services	–	366	366	366	797
Gross loss	(13,699)	(14,938)	(12,883)	(21,489)	(28,628)
Loss and total comprehensive expense for the year/period	(25,467)	(22,960)	(43,338)	(51,618)	(56,203)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June		As at 31 December		
	2024	2023	2024	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited	Audited	Audited	Audited
Total assets	47,083	102,497	42,260	71,757	123,936
Total liabilities	19,382	72,386	32,430	18,589	19,150
Net assets	27,701	81,826	9,830	53,168	104,786

*For the six months ended 30 June 2024 and 2023*

The Group's revenue decreased by approximately HK\$2.9 million or approximately 7.0% from approximately HK\$41.2 million for HY2023 to approximately HK\$38.4 million for HY2024. As advised by the Management, the decrease in revenue was mainly due to (i) substantial completion of the projects on hand during HY2023 while only few projects with small contract sums were ongoing during HY2024; (ii) intense market competition environment, alongside a reduction in number of new projects available for bidding (i.e. the number of tenders submitted by the Group for the three financial years ended 2022, 2023 and 2024 are 111, 65 and 57, respectively); and (iii) delay of certification of the Group's certain work done by the relevant customers as the relevant customers required additional time for certification of the work done involved in several variation orders of the relevant project. As further advised by the Management, certification is granted by the main contractor to validate the Group's completed work, and delays in certification would impact the Group's schedule for revenue recognition.

The gross loss of the Group for HY2024 amounted to approximately HK\$13.7 million, representing a decrease of approximately 8.3% as compared to approximately HK\$14.9 million gross loss for the six months ended 30 June 2023. The Group's gross loss margin for HY2024 was approximately 35.7%, as compared to gross loss margin approximately 36.2% for HY2023. The decrease in gross loss was mainly due to improving of costs control.

The Group reported loss attributed to owners of the Company of approximately HK\$25.5 million for HY2024 as compared to the loss attributed to owners of the Company of approximately HK\$23.0 million for HY2023.

As at 30 June 2024, the Group's total assets were approximately HK\$47.1 million, reflecting a decrease of about 34.4% compared to approximately HK\$71.8 million as at 31 December 2023. The Group's total liabilities, all of which are current liabilities, stood at approximately HK\$19.4 million, remaining at a similar level as of 31 December 2023 which amounted to approximately HK\$18.6 million. The net assets decreased from HK\$53.2 million as at 31 December 2023 to approximately HK\$27.7 million as at 30 June 2024. As advised by the Management, the reasons for such decrease are due to the combined effect of (i) decrease in bank balances and cash caused by the delay in certification of works performed, which in turn has affect the Company receiving payments from the main contractors; and (ii) increase in trade and other payables which was primarily attributable to delay in payment by the Group to its supplier due to delay of certification of works by the main contractors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the years ended 31 December 2024 and 2023*

The Group's revenue increased by approximately HK\$23.3 million or approximately 26.8% from approximately HK\$86.7 million for FY2023 to approximately HK\$110.0 million for FY2024. Such increase was primarily attributable to the increase in number of successful tenders awarded under the provision of wet trades works and the wet trades related ancillary works.

The gross loss of the Group for FY2024 amounted to approximately HK\$12.9 million, representing a decrease of approximately 40.0% as compared with gross loss of approximately HK\$21.5 million for FY2023. As advised by the Management, the improvement in the Group's gross loss for FY2024 is mainly attributable to increase in revenue during FY2024 compared to FY2023. The Group's gross loss margin for FY2024 was approximately 11.7%, as compared with gross loss margin of approximately 24.8% for FY2023. The gross loss for FY2024 was mainly due to (i) competitive project pricing arising from intense market competition; (ii) delay in certification of works performed of certain projects; and (iii) increase in direct costs from (a) additional subcontractors, resources and other costs related to deal with unexpected changes to the on-site arrangements initiated by customers; and (b) delays in certain projects (mainly for the Tai Tam Project). For the project in Tai Tam, the Group was engaged by the main contractor (which was subsequently went into bankruptcy) to provide construction services for a school in there, with a contract sum of around HK\$14,740,000, being the third largest contract sum project engaged by the Group during 1st half of 2024 (the "**Tai Tam Project**").

The loss attributable to owners of the Company for FY2024 decreased by approximately HK\$8.3 million or approximately 16.0% from approximately HK\$51.6 million for FY2023 to net loss of approximately HK\$43.3 million for FY2024. The decrease in the Group's net loss for FY2024 was mainly due to the improvement of gross loss margin and allowance for impairment losses during FY2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 December 2024, the Group's total assets were approximately HK\$42.2 million, reflecting a decrease of about 30.5% compared to approximately HK\$71.8 million as at 31 December 2023. The Group's total liabilities stood at approximately HK\$32.4 million as at 31 December 2024, representing a substantial increase of approximately 74.5% as compared to HK\$18.5 million as at 31 December 2023. The net assets decreased by approximately 81.6% from approximately HK\$53.2 million as at 31 December 2023 to approximately HK\$9.8 million as at 31 December 2024. As advised by the Management, the reasons for such decrease are mainly due to (i) increase in accumulated losses of the Company ; (ii) decrease in prepayment due to the Group's settlement to the subcontractors for the works that were completed, which was reclassified from prepayment in balance sheet as assets to cost of services in the profit and loss statement; and (iii) decrease in contract assets due to the impairment losses under the expected credit loss driven by the delay in certification of works for certain projects completed by the Group, in particular for the Tai Tam Project given that the main contractor of Tai Tam Project was encountering financial difficulties and delayed the certification of works of the Tai Tam Project. Contract assets represent the Group's rights to receive payments for work it has performed but not yet billed.

*For the years ended 31 December 2023 and 2022*

The revenue from (i) the Construction Services and (ii) the Construction IT Services for FY2023 amounted to approximately HK\$86.7 million, representing a decrease of approximately HK\$35.8 million or 29.2% as compared to approximately HK\$122.5 million FY2022. As advised by the Management, such decrease was primarily attributable to the intense market competition, alongside a reduction in number and size of projects available for bidding, and a decline in value of contracts awarded during FY2023. As a result, the Group generally secured projects with less contract sum.

The gross loss of approximately HK\$21.5 million reported for FY2023, representing a decrease of approximately 24.9% as compared to a gross loss of approximately HK\$28.6 million for FY2022. As advised by the Management, the improvement in the Group's gross loss for FY2023 is mainly attributable to reduction in the number of loss-making projects recorded during FY2023 as compared to FY2022. The gross loss in FY2023 was mainly due to (i) competitive project pricing arising from intense market competition; (ii) delay in certification of works performed of certain projects; and (iii) inclusion of direct costs from (a) additional subcontractors, resources and other costs related to deal with unexpected changes to the on-site arrangements initiated by customers; and (b) delays in certain projects (mainly for projects at Tai Wai). The gross loss margin was at a similar level in both years (i.e. approximately 24.8% for FY2023 and 23.37% for FY2022).

The loss attributable to owners of the Company for FY2023 decreased by approximately 8.2% from approximately HK\$56.2 million for FY2022 to loss attributable to owners of the Company of approximately HK\$51.6 million for FY2023. The decrease in the Group's net loss for FY2023 was mainly due to the improvement of gross loss and offset by the increase in allowance for impairment losses during FY2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 December 2023, the Group's total assets were approximately HK\$71.8 million, reflecting a decrease of about 53.8% compared to 31 December 2022. The Group's total liabilities, all of which are current liabilities, stood at HK\$18.6 million, remaining at a similar level as of 31 December 2022. The net assets decreased by approximately 49.3% from HK\$104.8 million as at 31 December 2022 to approximately HK\$53.2 million as at 31 December 2023. As advised by the Management, the decrease in net assets are mainly due to (i) the decrease in prepayment due to the Group's settlement to the subcontractors for the works that were completed, which was reclassified from prepayment in balance sheet as assets to cost of services in profit or loss statement; and (ii) the decrease in contract assets due to the impairment losses under the expected credit loss driven by the delay in certification of works for certain projects completed by the Group.

The Management further explained that the Group prepays fees to subcontractors before receiving payments from main contractors for projects. Upon completion of the subcontractors' work, the prepayments recorded on the balance sheet as assets are reclassified as project costs in the profit and loss statement. Hence, decrease in prepayment reflects incurred project costs paid by the Group to subcontractors in advance.

The impairment losses on contract assets would be recorded if there would be delay in certification of works for certain projects completed by the Group which will result in decrease in contract assets. As a result, any delay in certification has negative impact on net assets.

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

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

The Offeror is a company incorporated in Hong Kong with limited liability on 9 January 2025 and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into the Sale and Purchase Agreement, the Offeror did not engage in any other business activities.

As at the Latest Practicable Date, the Offeror is beneficially wholly-owned by Mr. Zhou, the chairman of the Board and an executive Director.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Zhou, aged 44, was appointed as an executive Director on 6 September 2024 and the chairman of the Board on 30 October 2024. Leveraging his experience and network in several business areas including skincare and beauty products, health management, online sales, digital technology, and leisure activities, Mr. Zhou is primarily responsible for the future potential business expansion and diversification of the Group in the PRC, in particular the Group's new beauty business. Mr. Zhou is the sole shareholder and sole director of the Offeror. From April 2004 to December 2011, Mr. Zhou served as a deputy general manager of Shenzhen Jiameiran Technology Company Limited\* (深圳市嘉美然科技有限公司), a company principally engaged in the sales of skincare products and beauty instruments and he was responsible for the company's sales and marketing management. From January 2012 to August 2017, Mr. Zhou served as a president of Shenzhen Runfei Technology Company Limited\* (深圳潤妃科技有限公司), which is also principally engaged in the sales of skincare products and beauty instruments. Since September 2017 until present, Mr. Zhou has been appointed as the chairman of Tofuls International Holdings Group Co., Ltd.\* (同芙國際控股集團有限公司), which is principally engaged in health and wellness management consultation. Since June 2023 until present, Mr. Zhou has been appointed as the chairman of World Chinese Business (Guangdong) Technology Co., Ltd.\* (世界華商(廣東)科技有限公司), which is principally engaged in providing digital technology services. Since November 2023 until present, Mr. Zhou has been appointed as the chairman of Shihua International Club Company Limited\* (世華國際俱樂部有限公司), which is principally engaged in providing information consulting services in the areas of health and leisure activities.

Mr. Zhou completed the business administration course of Business School of Guangxi University (廣西大學商學院) (currently known as the School of Business, Guangxi University (廣西大學工商管理學院)) in July 2003.

Considering that Mr. Zhou lacks expertise in the Group's core business areas, i.e. Construction Services, while Mr. Zhou has experience in the Group's new Beauty & Healthcare Business, it is considered that the Offeror's experience may not be relevant to the Group's core business areas but is believed that Mr. Zhou can facilitate the expansion/development of the Beauty & Healthcare Business in near future.

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

As at the Latest Practicable Date, the Offeror is was the controlling shareholder of the Company and the Offeror, its ultimate beneficial owner and parties acting in concert with any of them were interested in approximately 62.5% of the issued share capital of the Company.

The Offeror intends to continue the existing business of the Group after completion of the Offer (i.e. the Construction Services, Construction IT Services and Beauty & Healthcare Business). The Offeror also intends to review the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of such review, the Offeror may explore other business opportunities, seek to expand the geographical coverage of the principal business of the Group in addition to the market of Hong Kong and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, no investment or business opportunity has been identified nor have the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group (including the Beauty & Healthcare Business), or disposal of or downsizing of the Group's existing business. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate).

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

Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to make material changes to the employment of the management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or redeploy the assets of the Group other than those in its ordinary and usual course of business; and (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of existing business of the Group.

### **3. Prospects and outlook of the Group**

As detailed in the section headed "(2) Information on the Group" above, over 99% of the Group's total revenue is derived from the provision of Construction Services in Hong Kong since its initial public offer in 2019. As mentioned in "2.2 intention of the Offeror in relation to the Group", the Offeror intends to continue the Group's existing business including Beauty & Healthcare Business after close of the Offer. Accordingly, we searched for statistics relevant to the Group's existing business.

According to The Budget 2025-26, the Hong Kong government has revised its forecast for deficit for the fiscal year 2024-25 which will be recorded at HK\$87.2 billion, with an anticipated deficit of HK\$67.0 billion for fiscal year 2025-26. The government believes that the Hong Kong economy still faces a very challenging external environment, with a projected GDP growth rate, on average, by 2.9% a year in real terms from 2026 to 2029.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In response to the current deficit situation, the Hong Kong government is implementing measures to enhance fiscal consolidation, including a cumulative 7% reduction in government recurrent expenditure by 2027-28. This fiscal tightening may lead to a reassessment of planned infrastructure projects, potentially delaying or downsizing non-essential initiatives. However, critical developments, such as public housing, railway expansions, and the Northern Metropolis plan, are expected to proceed. According to Housing Bureau's forecast on public housing production from 2025/26 to 2029/30, the Hong Kong government aims to deliver 160,400 new public flats between 2025 and 2030. Additionally, the Long Term Housing Strategy Annual Progress Report 2024 published by Housing Bureau, states that total housing supply target for the 10-year period from 2025-26 to 2034-35 is 440,000 units. As such, while the government's forecasted fiscal deficit may affect the timeline of some projects, we believe that demand for construction services in the public housing sector will remain steady after considering the government's Long Term Housing Strategy and its forecast for public housing production from 2025/26 to 2029/30.

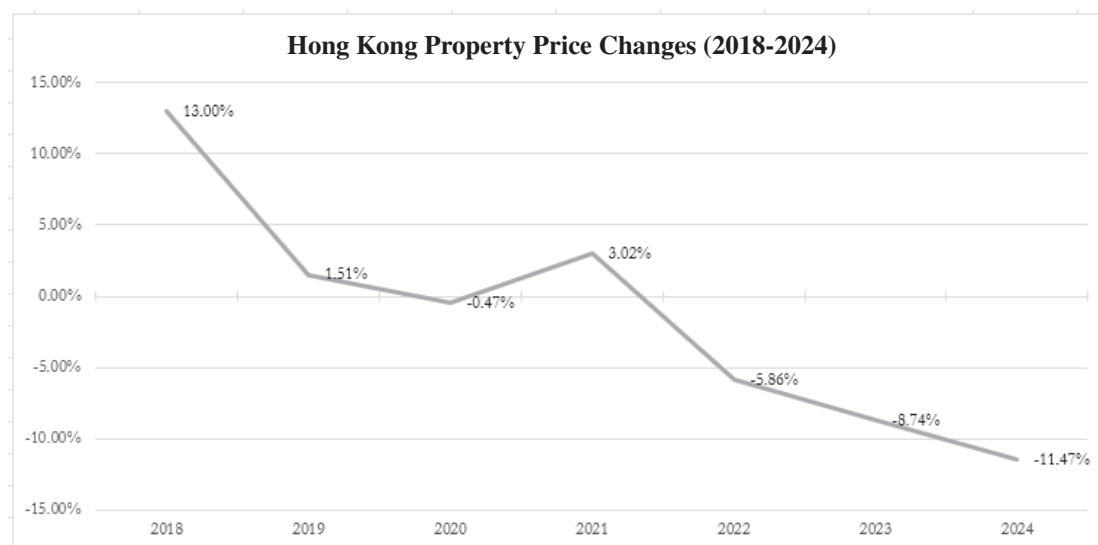
Additionally, the private sector is struggling due to a downturn in the property market. According to the property data, namely private domestic – price indices by class (territory-wide) updated on 27 March 2025 by the Rating and Valuation Department, we noted that property prices dropped by approximately 11.47% in 2024, leading to reduced developer confidence and fewer land sales. Historically, property prices in Hong Kong have seen a significant drop in growth rate in properties price indices, growth rate in prices indices recorded a high of 13% in 2018 then declined to 1.51% in 2019, dropped further to -0.47% in 2020, and, rebounded in 2021 with a 3% increase. Afterwards, the price indices recorded a negative growth rate of 5.86%, 8.74% and 11.47% in 2022, 2023, and 2024 due to rising interest rates and economic uncertainty. According to the official website of the Hong Kong Monetary Authority, the composite interest rate increased from approximately 0.19% in late 2021 to approximately 2.73% in March 2024. With high borrowing costs and uncertain economic conditions which may raise the cost of financing construction projects, private developers are scaling back on new projects, resulting in lower demand for construction services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Below is a graphical representation of historical property price changes in Hong Kong:



Source: the website of the Rating and Valuation Department (<https://www.rvd.gov.hk/en/index.html>)

Hong Kong's construction industry also faces a labour shortage, with an aging workforce and difficulties in attracting young talent. This trend has led to increased labor costs, further impacting project viability. According to the press release dated 14 November 2024 published by the Labour and Welfare Bureau, the government indicates a manpower shortfall of 15,000 workers in the construction industry in 2023, with two-thirds being skilled or semi-skilled workers and the rest comprising professionals and managers. Due to the aging workforce, this shortfall is expected to increase threefold, reaching 45,000 to 55,000 by 2028. Additionally, based on Manpower Forecast for Hong Kong Construction Industry published by the Construction Industry Council ("CIC") in February 2023, CIC estimates a shortage of 5,500 to 6,000 construction professionals in 2025 and 2026 respectively, including architects, surveyors, and engineers. We are of the view that the continuous shortfall of construction workforce in Hong Kong would adversely affect the cost of operations of the Group. According to its official website, CIC is a statutory body in Hong Kong, established on 1 February 2007 to advise the Hong Kong government and enhance industry standards. It comprises a chairman and 24 members representing various sectors of the industry including employers, professionals, academics, contractors, workers, independent persons, and Government officials. Given CIC's advisory role to the Hong Kong government on construction industry issues, we consider its data to be reliable.

Having considered the local fiscal deficit, property market downturn, high borrowing costs, and labor shortages in the construction industry, we are of the view that challenging times may be ahead regarding the prospects and outlook of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the other hand, China's beauty and healthcare services industry is undergoing rapid transformation, driven by a combination of economic growth, demographic shifts, and supportive government policies in relation to healthcare industry and so on. A key economic driver is the steady rise in disposable income, which has increased consumers' ability and willingness to spend on personal wellness and medical beauty services. According to the National Bureau of Statistics, China's per capita disposable income of urban residents rose from RMB31,195 in 2015 to an RMB54,188 in 2024, representing a compound annual growth rate of approximately 5.68%. It is expected that this rise in purchasing power will increase demand for health and beauty services. At the same time, China is experiencing a demographic shift toward an aging society. According to an article published by the State Council Information Office of the PRC on 2 January 2025, titled "China Implements Gradual Retirement Age Increase to Address Population Aging", government projections estimate that the population aged 60 and above will exceed 400 million by 2035. It is expected that this aging trend will affect healthcare priorities, leading to increased demand for age-related medical services, long-term care, and wellness solutions tailored to senior citizens. Furthermore, the Chinese government has introduced the "Healthy China 2030" initiative, a comprehensive national strategy aimed at enhancing public health infrastructure, expanding preventive care, and encouraging private sector participation. Given the aforesaid, we believe the future of beauty and healthcare services is positive.

#### 4. Principal terms of the Offer

Yellow River, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.2565 in cash**

The Offer Price of HK\$0.2565 per Offer Share is approximately equal to but not lower than the purchase price per Sale Share of approximately HK\$0.2564 per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company has 312,000,000 Shares in issue and the Company does not have any other outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

The Offer is unconditional in all respects and is extended to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with it.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights and benefits attached thereto, including but not limited to the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend which is outstanding and not yet paid and the Company does not intend to declare, make or pay any dividend or other distributions prior to close of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.1 Analysis on the Offer Price

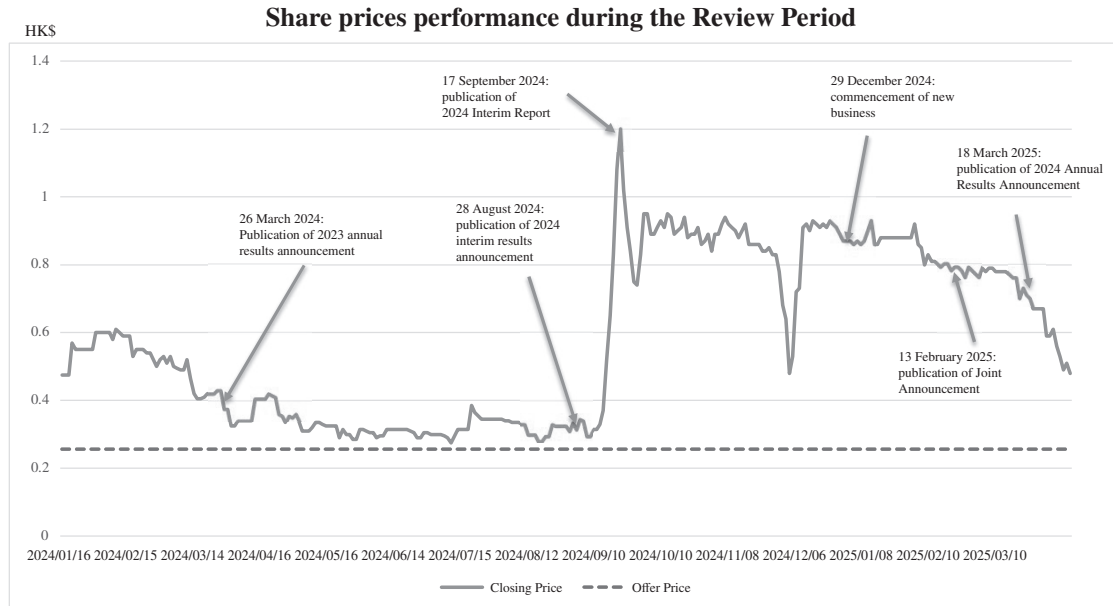
The Offer Price of HK\$0.2565 per Offer Share represents:

- (i) a discount of 43.00% to the closing price of HK\$0.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 70.85% to the closing price of HK\$0.8800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 70.72% to the average closing price of approximately HK\$0.8760 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day; (the “**5-day Average Price**”)
- (iv) a discount of approximately 70.85% to the average closing price of approximately HK\$0.8800 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day (the “**10-day Average Price**”);
- (v) a discount of approximately 70.51% to the average closing price of approximately HK\$0.8697 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day (the “**30-day Average Price**”); and
- (vi) a premium of approximately 714.29% over the Group’s audited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$0.0315 as at 31 December 2024 (based on a total of 312,000,000 Shares as at the Latest Practicable Date and the Group’s audited consolidated net assets value attributable to the Shareholders of approximately HK\$9,830,000 as at 31 December 2024).

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 4.2 Historical performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 16 January 2024, being the twelve-month period prior to the Last Trading Day (i.e. 15 January 2025), up to and including the Latest Practicable Date (the “**Review Period**”):



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

Note: The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 16 January 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 24 January 2025.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Shares have been trading above the Offer Price during the entire Review Period. The lowest and highest closing price of the Shares during the Review Period were HK\$0.275 per Share recorded on 8 July 2024 and HK\$1.20 per Share recorded on 17 September 2024, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Review Period is approximately HK\$0.586 per Share. The Offer Price of HK\$0.2565 per Share represents (i) a discount of approximately 6.73% to the lowest closing price of HK\$0.275 per Share; (ii) a discount of approximately 78.63% to the highest closing price of HK\$1.20 per Share; and (iii) a discount of approximately 56.23% to the average daily closing price of approximately HK\$0.586 per Share during the Review Period.

### *Pre-Announcement Period*

During the period under review from 16 January 2024 to 15 January 2025 (being the Last Trading Day) (the “**Pre-Announcement Period**”), the lowest and highest closing price of the Shares during the Pre-Announcement Period were HK\$0.275 per Share recorded on 8 July 2024 and HK\$1.20 per Share recorded on 17 September 2024, respectively as quoted on the Stock Exchange. The Offer Price of HK\$0.2565 per Share represents (i) a discount of approximately 6.73% to the lowest closing price of HK\$0.275 per Share; (ii) a discount of approximately 78.63% to the highest closing price of HK\$1.20 per Share; and (iii) a discount of approximately 55.26% to the average daily closing price of approximately HK\$0.573 per Share during the Pre-Announcement Period.

As depicted in the above chart, the Share price saw a general decline trend from mid-January 2024 to early September 2024 before reaching the peak of HK\$1.20 on 17 September 2024. Subsequently, the Share price followed a sharp decrease from HK\$1.20 to HK\$0.74 on 25 September 2024. Afterward, the Share prices fluctuated within a range between HK\$0.40 and HK\$1.0. We have observed that the Company (i) announced its interim results on 28 August 2024 and published its 2024 interim report on 17 September 2024; (ii) published an announcement regarding appointment of an executive Director on 9 September 2024; (iii) published an announcement regarding change of independent non-executive Director and change of board composition on 29 November 2024; (iv) published an announcement in relation to change of company name on 6 December 2024; (v) announced the commencement of new business on 29 December 2024; (vi) announced the appointment of senior management of the Group on 6 January 2025; and (vii) published the Joint Announcement on 13 February 2025. In addition, we noted that the trading prices of the Company experienced substantial fluctuations in late September 2024 and late November 2024. We have made inquiries with the Management and were advised that save for the publication of announcements of the Company as described above, the Directors were not aware of any specific reasons that may have an impact on the fluctuations of Share prices during the Pre-Announcement Period (including substantial fluctuations in late September 2024 and late November 2024).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Post-Announcement Period*

During the period under review from 24 January 2025 (i.e. day of resumption of trading after publication of the Joint Announcement) up to and including the Latest Practicable Date, (the “**Post-Announcement Period**”), the Offer Price of HK\$0.2565 per Share represents (i) a discount of approximately 43.00% to the lowest closing price of HK\$0.45 per Share; (ii) a discount of approximately 72.12% to the highest closing price of HK\$0.92 per Share during the Post-Announcement Period; and (iii) a discount of approximately 65.47% to the average daily closing price of approximately HK\$0.743 per Share during the Post-Announcement Period.

As explained in section “1.2 Historical financial information” in this letter, it is understood that the net assets value of the Group has been decreasing and stood at approximately HK\$9.83 million as at 31 December 2024, which resulted the Offer Price represents a premium of approximately 714.29% over the net asset value per Share of approximately HK\$0.0315 as at 31 December 2024. Despite that, we consider that the market price of the Company serves as a more accurate reflection of the actual value that could bring to Shareholders, in this regard, we are of the view that the Offer Price is unattractive.

Given the aforesaid and having considered: (i) a discount of approximately 43.00% to the closing price of HK\$0.45 on the Latest Practicable Date; (ii) a discount of approximately 56.23% to the average closing price of approximately HK\$0.586 during the Review Period; and (iii) the Shares have consistently traded at a price higher than the Offer Price during the entire Review Period, we are of the view that the Offer Price is unattractive and therefore not fair and not reasonable.

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

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 4.3 Historical trading volume of the Shares

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

Month/Period	Total trading volume for month/period (number of Shares)	Number of trading days during the month (days)	Average daily trading volume for month/period (number of Shares)	Percentage of average daily trading volume to total number of the Shares in issue as at the Latest Practicable Date (note 3)	Percentage of average daily trading volume to total number of the Shares held by public Shareholders as at the respective month or period (note 4)
<b>2024</b>					
16 – 31 January (note 1)	2,179,000	12	181,583	0.058%	0.155%
February	3,367,000	19	177,211	0.057%	0.151%
March	632,000	20	31,600	0.010%	0.027%
April	2,588,000	19	136,211	0.044%	0.116%
May	679,000	21	32,333	0.010%	0.028%
June	178,000	19	9,368	0.003%	0.008%
July	2,591,000	22	117,773	0.038%	0.101%
August	768,000	22	34,909	0.011%	0.030%
September	29,993,600	19	1,578,611	0.506%	1.349%
October	7,861,000	21	374,333	0.120%	0.320%
November	13,225,000	21	629,762	0.202%	0.538%
December	13,286,000	20	664,300	0.213%	0.568%
<b>2025</b>					
January (note 2)	5,530,000	19	291,053	0.093%	0.249%
February	3,549,620	20	177,481	0.057%	0.152%
March	5,899,000	21	280,905	0.090%	0.240%
1 – 7 April (i.e. the Latest Practicable Date)	2,324,000	4	581,000	0.186%	0.497%
			<b>Maximum</b>	0.506%	1.349%
			<b>Minimum</b>	0.003%	0.008%
			<b>Average</b>	0.106%	0.283%

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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The Review Period commenced on 16 January 2024.
2. The trading of the Shares on the Stock Exchange was suspended at 9:00 a.m. on 16 January 2025 pending the release of the Joint Announcement. Trading of the Shares on the Stock Exchange was resumed at 9:00 a.m. on 24 January 2025.
3. Based on 312,000,000 Shares in issue as at the end of each month/period.
4. Based on 117,000,000 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated above, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue as at the Latest Practicable Date ranged from the lowest of approximately 0.003% in June 2024 to the highest of approximately 0.506% in September 2024, with an average daily trading volume of approximately 0.106% of the total number of issued Shares as at the Latest Practicable Date.

If only Shares held by public Shareholders (the “**Free Float Shares**”) are considered in calculating the percentage of average daily trading volume of the Shares as at the respective month/period under the Review Period, the average trading volume of the Free Float Shares during the Review Period ranged from the lowest of approximately 0.008% in June 2024 to the highest of approximately 1.349% in September 2024 with an average daily trading volume of approximately 0.283% of the total number of Free Float Shares as at the Latest Practicable Date. Therefore, the trading volume of the Shares was generally thin in the Review Period and illiquid in the open market.

Given the overall thin historical trading volume of the Shares during the entire Review Period, the Independent Shareholders (especially those with relatively sizeable shareholdings) may find it difficult to dispose of a large volume of Shares in the open market at a fixed cash price within a short period of time without exerting downward pressure on the Shares price. The Independent Shareholders are also advised to consider selling their Shares in the open market instead of accepting the Offer given the closing prices of the Shares had been staying well above the Offer Price during the entire Review Period, after taking into account the possible pressure on the Share price when selling in bulk, if net proceeds from such sale of Shares would exceed the net amount receivable under the Offer. Independent Shareholders should also be aware that they may have to sell their Shares in the market by batches if they do not accept the Offer, given the average daily trading volume of the Shares during the Review Period ranged from approximately 9,368 Shares to approximately 1,578,611 Shares as shown in the table above.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## 4.4 *Comparable Analysis*

In assessing the fairness and reasonableness of the Offer Price, we have considered using the price-to-earnings ratio (the “**P/E ratio**”) analysis and the price-to-book ratio (the “**P/B ratio**”) analysis to compare the Offer Price against the market valuation of other comparable companies. P/E ratio analysis and P/B ratio analysis are commonly adopted valuation method in the valuation of companies. Given that the Group was loss-making for the recent three consecutive financial years, and no dividend was distributed for the last financial year, the P/E Ratio analysis and dividend yield analysis are not applicable.

Based on the Offer Price of HK\$0.2565 per Offer Share and the total number of issued Shares of 312,000,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$80.03 million. The P/B Ratio of the Company implied by the Offer Price is approximately 8.14 times (the “**Implied P/B Ratio**”) based on the audited consolidated net assets of the Group of approximately HK\$9.83 million as at 31 December 2024.

Given that (i) approximately 99% of the Group’s revenue is derived from providing Construction Services in Hong Kong; and (ii) the market capitalisation of the Company was approximately HK\$140.40 million as at the Latest Practicable Date (based on the total issued shares of 312,000,000 Shares and the closing price of Share of HK\$0.45 as at the Latest Practicable Date), for the purpose of our comparable analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Stock Exchange; (ii) engages in a principal business similar to those of the Group (i.e. provision of construction services in both private and public sectors); (iii) generated more than 50% of its revenue from the provision of construction services in Hong Kong in most recent completed financial year; and (iv) are of comparable size to the Company with market capitalisation as at the Latest Practicable Date from HK\$100 million and up to HK\$500 million. Based on such criteria, we have identified an exhaustive list of 10 comparable companies (the “**Comparable Companies**”).

Despite differences in market capitalisation between the Company and the Comparable Companies and the Company is valued at approximately HK\$80.03 million based on the Offer Price, we consider the Comparable Companies to be fair and representative after taking into account that: (i) the Comparable Companies engage in similar principal business activities with same geographical location; (ii) the Comparable Companies’ shares are listed on the main board of the Stock Exchange; (iii) the selected market capitalisation range ensures comparability in terms of market conditions, investor perception, operational scale, and business risks; and (iv) the Comparable Companies represents an exhaustive list of companies meeting the aforesaid selection criteria, we consider the selection criteria to be fair and representative and the Comparable Companies identified based on these criteria constitute an appropriate and representative reference for assessing the fairness and reasonableness of the Offer Price.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the P/B ratio of each of SOCAM and Hanison is approximately 0.06 times and 0.08 times. We observed from the latest available annual/interim results/reports that both SOCAM and Hanison recorded substantial amount of investment properties and properties under development for sale under their balance sheet as both companies also engage in property development business, which have considerably enlarged their net asset value which is not comparable to other Comparable Companies. Therefore, with a view to ensure the Comparable Companies to provide a comparable reference, SOCAM and Hanison are considered as and have been excluded from our analysis. Shareholders should note that the P/B ratio range of Comparable Companies (including SOCAM and Hanison) set out below is for reference only.

No.	Company name (Stock code)	Principal activities	Market	Net assets (HK\$' 000)	P/B ratio
			capitalisation as at the Latest Practicable Date (Note 1) (HK\$' million)		(times) (Note 2)
1	Affluent Foundation Holdings Limited (stock code: 1757)	The group is a subcontractor engaged in the provision of services related to foundation works in Hong Kong including excavation and lateral support works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steelworks.	120.00	88,181	1.36
2	Wecon Holdings Limited (stock code: 1793)	The group is principally engaged in the provision of building construction services and repair, maintenance, alteration and addition works services in Hong Kong.	128.00	273,857	0.47
3	Geotech Holdings Limited (stock code: 1707)	The group is principally engaged in provision of foundation works, civil engineering contractual service and general building works in Hong Kong, and environmental protection businesses including harmless waste treatments, development and management of environmental protection industrial park and new energy materials in Mainland China.	171.36	161,471	1.06

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company name (Stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date <i>(Note 1)</i> <i>(HK\$' million)</i>	Net assets <i>(HK\$' 000)</i>	P/B ratio (times) <i>(Note 2)</i>
4.	SOCAM Development Limited (stock code: 983) (“SOCAM”)	The group is principally engaged in construction and property businesses, with operations spanning Mainland China, Hong Kong and Macau.	132.54	2,254,000	0.06 <i>(Note 5)</i>
5	SFK Construction Holdings Limited (stock code: 1447)	The principal activities of the group are general building, civil engineering and the provision of other services in Hong Kong.	220.00	371,129	0.59
6	CR Construction Group Holdings Limited (stock code: 1582)	The group is principally acts as a main contractor in building construction works and repair, maintenance, alteration and addition works across the public and private sectors in Hong Kong, Malaysia and the United Kingdom with primary market focus in Hong Kong.	212.50	675,893	0.32
7	Landrich Holding Limited (stock code: 2132)	The group provides construction engineering works in Hong Kong.	182.40	317,457	0.57
8	Dragon Rise Group Holdings Limited (stock code: 6829)	The Group is primarily engaged in undertaking foundation works in Hong Kong as a subcontractor.	460.80	289,141	1.59
9	Hanison Construction Holdings Limited (stock code: 896)	The company is principally engaged in construction engineering businesses in Hong Kong.	289.73	3,575,489	0.08 <i>(Note 6)</i>

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company name (Stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date <i>(Note 1)</i> <i>(HK\$' million)</i>	Net assets <i>(HK\$' 000)</i>	P/B ratio (times) <i>(Note 2)</i>
10	Yau Lee Holdings Limited (stock code: 406)	The group are principally engaged in contracting of building construction, plumbing, renovation, maintenance and fitting-out projects, electrical and mechanical installation, building materials supply, property investment and development and hotel operations with primary market focus in Hong Kong.	407.39	1,536,159	0.27
		<b>with outliers for reference only:</b>	<b>without outliers</b>		
		<b>Maximum</b>	1.59	<b>Maximum</b>	1.59
		<b>Minimum</b>	0.06	<b>Minimum</b>	0.27
		<b>Median</b>	0.52	<b>Median</b>	0.58
		<b>Average</b>	0.64	<b>Average</b>	0.78
	<b>The Company</b>		<b>80.03</b> <i>(note 3)</i>	<b>8.14</b> <i>(note 4)</i>	

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

*Notes:*

1. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Latest Practicable Date.
2. The P/B ratio was based on the then market capitalisation of Comparable Companies as at the Latest Practicable Date, divided by the net asset value of the Comparable Companies as stated in their respective latest available annual report or interim report.
3. The market capitalisation of the Company is calculated based on the Offer Price of HK\$0.2565 and the number of issued Shares as at the Latest Practicable Date (i.e. 312,000,000 Shares).
4. The Implied P/B Ratio of approximately 8.14 times is based on (a) the implied market capitalisation of the Company of approximately HK\$80.03 million based on the Offer Price and the issued number of Shares as at the Latest Practicable Date; and (b) the audited consolidated net assets of the Group of approximately HK\$9.83 million as at 31 December 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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5. As noted from the latest annual results announcement of SOCAM, SOCAM's balance sheet consists of, amongst others, approximately HK\$3,818 million of investment properties, approximately HK\$570 million of properties held for sale and approximately HK\$160 million of properties under development for sale, hence the P/B ratio of SOCAM, calculated based on its market capitalisation as of the Latest Practicable Date and its latest available net asset value, is approximately 0.06 times, which is significantly lower than the P/B ratios of other Comparable Companies, hence, we consider SOCAM to be an outlier and has been excluded from our analysis.
6. As noted from the latest interim report of Hanison, Hanison's balance sheet consists of, amongst others, approximately HK\$2,198 million of investment properties and approximately HK\$1,162 million of properties under development for sale, hence the P/B ratio of Hanison, calculated based on its market capitalisation as of the Latest Practicable Date and its latest available net asset value, is approximately 0.08 times, which is significantly lower than the P/B ratios of other Comparable Companies, hence we consider Hanison to be an outlier and has been excluded from our analysis.

As set out in the above table, the P/B ratios of the Comparable Companies (without outliers) ranged from approximately 0.27 times to approximately 1.59 times with an average of approximately 0.78 times and a median of 0.58 times.

The Implied P/B Ratio, based on the Offer Price, is approximately 8.14 times, which is above the range and the average of the Comparable Companies, indicating that the valuation of the Company implied by the Offer Price represents a premium relative to the Comparable Companies.

Despite that the Implied P/B Ratio is above the range, average and median of the P/B ratios of the Comparable Companies (without outliers) and the Offer Price represents a premium of approximately 714.29% over the net asset value per Share of approximately HK\$0.0315 as at 31 December 2024, we consider the Offer Price is unattractive given that the market price of the Company serves as a more accurate reflection of the actual value that could bring to Shareholders. In this regard, the Offer is not fair and reasonable from the comparable companies analysis.

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

As stated in the "Letter from Yellow Securities" contained in this Composite Document, The Offeror will, together with the Company, use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that, upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror (namely Mr. Zhou), the Directors (namely Mr. Zhou, Mr. Cheung Kwok Fai Adam, Mr. Ng Sheung Chung, Mr. Ma Kan Sun, Ms. Ding Xin, Mr. Zhu Qi and Ms. Zhang Lingke) and any new Director(s) to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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No dividend was paid or proposed by the Company since its initial public offer in 2019 up to and including the financial year ended 31 December 2024.

### RECOMMENDATION

Having considered below factors and reasons:

- (i) the Offer Price is unattractive, given (i) the closing prices of the Shares has been trading above the Offer Price during the entire Review Period; (ii) the Offer Price represents a discount of approximately 70.85%, 70.72%, 70.85%, and 70.51% to the closing price as quoted on the Last Trading Day, 5-day Average Price, 10-day Average Price, and 30-day Average Price, respectively; and (iii) the Offer Price represents a discount of approximately 43.00% to the closing price of the Shares of HK\$0.45 as at the Latest Practicable Date. Therefore, the Offer Price is not fair and reasonable from the trading prices analysis;
- (ii) despite that the Implied P/B Ratio is above the range and average of the P/B ratios of the Comparable Companies (without outliers) and the Offer Price represents a premium of approximately 714.29% over the net asset value per Share of approximately HK\$0.0315 as at 31 December 2024, we consider the Offer Price is unattractive given that the market price of the Company serves as a more accurate reflection of the actual value that could bring to Shareholders. In this regard, the Offer is not fair and reasonable from the comparable companies analysis;
- (iii) the revenue of the Group for FY2024 has improved by approximately 26.8% as compared to FY2023, alongside the loss and total comprehensive expense for the year attributable to equity holders of the Company has reduced from approximately HK\$51.6 million for FY2023 to approximately HK\$43.3 million for FY2024. In addition, given that the Hong Kong government is expected to announce critical developments as mentioned in (iv) below, it is anticipated that the Company could benefit from these projects. In light of the aforesaid, Shareholders are advised to consider the Company's improving outlook and long-term potential, and therefore are advised to retain their interest in the Company;
- (iv) the outlook of Hong Kong's construction industry is still uncertain given the fiscal deficit in Hong Kong, property market downturn, high borrowing costs, and labour shortages in the construction industry. However, some critical developments, such as public housing, railway expansions, and the Northern Metropolis plan, are expected to proceed in the future, which ensures a steady demand for construction services. In view of the Company's potential to benefit from these critical developments, Shareholders are encouraged to consider the Company's long-term growth prospects and may find it in their best interests to retain their shareholding in the Company; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) the Offeror has experience in relation to the Group's new Beauty & Healthcare Business, where it is believed that Mr. Zhou can facilitate the development/expansion of such business of the Group and may assist the Group to capture the future growth in Beauty & Healthcare Business, which is expected to diversify the Group's income stream, thereby enhancing the Group's resilience and strengthening its ability to withstand market fluctuations and industry challenges, therefore, Shareholders may consider retaining their shareholding in order to pursue the long-term value.

we are of the opinion that the Offer is not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

Nevertheless, the Independent Shareholders should also note that (i) there is no guarantee that the Share price will sustain at a level above the Offer Price and/or after the Offer Period; and (ii) the Independent Shareholders (regardless to their amount of shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price when they are going to dispose of their partial or entire holdings. In such circumstances, the Offer might provide an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares at the Offer Price of HK\$0.2565. However, for those Independent Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from such sale of Shares would be higher than that receivable under the Offer. For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

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

Yours Faithfully,  
For and on behalf of  
**Merdeka Corporate Finance Limited**  
**Wallace So**  
*Managing Director*

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



**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong in an envelope marked “**China Wacan Group Company Limited – Offer**” as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the Closing Date.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked “**China Wacan Group Company Limited – Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**China Wacan Group Company Limited – Offer**” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf in respect of the number of Shares for which you intend to accept the Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed, signed and delivered in an envelope marked "**China Wacan Group Company Limited – Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.
- (d) If you have lodged transfer of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "**China Wacan Group Company Limited – Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Yellow River Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer and, if that/those share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty for transfer of Shares registered in the seller's name by the Company through the Registrar arising in connection with acceptance of the Offer payable by the relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of accepting Independent Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar no later than 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Acceptance, and the Offer will be closed on the Closing Date.

- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date of the Offer so extended.

### **3. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

### **4. ANNOUNCEMENTS**

- (a) As required under Rule 19.1 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired. Such announcement must state the followings:
  - (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
  - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the Offer Period; and

- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, and parties acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are duly completed and fulfill the acceptance conditions set out in paragraph 1(e) of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) If the Offeror, the parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (d) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.handsform.com](http://www.handsform.com)).

## **5. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph headed “4. Announcements” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) Business Days following the date of receipt of the notice of withdrawal, despatch the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) by ordinary post at his/her/its own risk.

**6. SETTLEMENT OF THE OFFER**

Provided that the accompanying Form of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

**7. OVERSEAS SHAREHOLDERS**

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Shareholders in respect of such jurisdictions). The Offeror, parties acting in concert with the Offeror, the Vendor, the Company, Astrum Capital, Yellow River Securities, the Independent Financial Adviser, the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates, as applicable, or any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

**8. TAX IMPLICATIONS**

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Vendor, the Company, Astrum Capital, Yellow River Securities, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates, as applicable, or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Vendor, the Company, Astrum Capital, Yellow River Securities, the Independent Financial Adviser, the Registrar nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates, as applicable, or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a representation and warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold or tendered by such Independent Shareholder(s) free from all encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a representation and warranty by such nominee to the Offeror that the number of Offer Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Offer Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

- (g) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Yellow River Securities and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (j) The Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved, in making their decision as to acceptance of the Offer. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them, the Company or its ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (k) The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.



**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2024**

The following is a summary of the financial results of the Group for each of the three financial years ended 31 December 2024 as extracted from the annual reports and the annual results announcement of the Company, respectively.

	<b>For the year ended 31 December</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Revenue	109,950	86,702	122,517
Cost of services	(122,833)	(108,191)	(151,145)
Gross loss	(12,883)	(21,489)	(28,628)
Other income	96	218	144
Other gains and losses	93	3,420	(1,767)
Impairment losses under expected credit loss model, net of reversal	(21,510)	(24,329)	(17,916)
Administrative expenses	(8,920)	(9,102)	(7,860)
Finance costs	(214)	(336)	(283)
Loss before tax	(43,338)	(51,618)	(56,310)
Income tax credit	–	–	107
<b>Loss and total comprehensive expense attributable to owners of the Company for the year</b>	<b>(43,338)</b>	<b>(51,618)</b>	<b>(56,203)</b>
<b>Loss and total comprehensive expense attributable to non-controlling interest for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>
(Loss)/Earnings per share attributable to equity holders of the Company:			
– Basic and diluted (HK cents)	(13.89)	(16.54)	(19.49)

**Assets and liabilities**

	<b>As at 31 December</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
<b>Non-current Assets</b>	5,792	7,637	11,960
<b>Current Assets</b>	36,468	64,120	111,976
<b>Current Liabilities</b>	32,430	18,589	19,150
Net Current Assets	4,038	45,531	92,826
Net Assets	9,830	53,168	104,786

No dividend was paid or proposed by the Company during each of the three years ended 31 December 2022, 2023 and 2024.

There has been no change in the Group's accounting policies which would result in the figures in its consolidated financial statements for each of the three financial years ended 31 December 2022, 2023 and 2024 being not comparable to a material extent.

The consolidated financial statements of the Group for each of the three years ended 31 December 2022, 2023 and 2024 were audited by Wilson & Partners CPA Limited. The consolidated financial statements of the Group for the years ended 31 December 2022, 2023 and 2024 did not contain any qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern. Save as disclosed above, there were no items of any income or expense which are material in respect of the consolidated financial results of the Company for each of the three years ended 31 December 2022, 2023 and 2024.

## 2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statements of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the last published audited accounts, significant accounting policies, together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial results of the Group for the year ended 31 December 2024 (the "2024 Financial Statements") has been set out on pages 1 to 15 of the 2024 annual results announcement of the Company for the year ended 31 December 2024 which was posted on 18 March 2025 on the Stock Exchange's website. Please also see below a direct link to the Company's 2024 annual results announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0318/2025031801847.pdf>

The audited consolidated financial results of the Group for the year ended 31 December 2023 (the “**2023 Financial Statements**”) has been set out on pages 88 to 188 of the 2023 annual report of the Company for the year ended 31 December 2023 which was posted on 19 April 2024 on the Stock Exchange’s website. Please also see below a direct link to the Company’s 2023 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0419/2024041900864.pdf>

The audited consolidated financial results of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”) has been set out on pages 91 to 184 of the 2022 annual report of the Company for the year ended 31 December 2022 which was posted on 21 April 2023 on the Stock Exchange’s website. Please also see below a direct link to the Company’s 2022 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042100643.pdf>

The 2024 Financial Statements, 2023 Financial Statements and the 2022 Financial Statements (but not any other part of the annual reports of the Company for two financial years ended 31 December 2022 and 2023 and the annual results announcement of the Company for the financial year ended 31 December 2024 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

### **3. INDEBTEDNESS**

As at 28 February 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group has total bank borrowings of approximately HK\$5,295,000.

Save as aforesaid or otherwise disclosed herein, apart from intra-group liabilities, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities as at 28 February 2025.

### **4. MATERIAL CHANGES**

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 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.

**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and the parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror and the parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<b>As at 31 December 2024</b>	<b>HK\$</b>
<b>Authorised:</b>	
400,000,000 Shares of HK\$0.1 each	40,000,000.00
<b>Issued:</b>	
312,000,000 Shares of HK\$0.1 each	31,200,000.00
<b>As at the Latest Practicable Date</b>	
<b>Authorised:</b>	
400,000,000 Shares of HK\$0.1 each	40,000,000.00
<b>Issued:</b>	
312,000,000 Shares of HK\$0.1 each	31,200,000.00

As at the Latest Practicable Date, save for 312,000,000 Shares in issue, the Company did not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

All issued Shares rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

As at the Latest Practicable Date, the Company has not issued any Shares since 31 December 2024, the date to which the latest audited financial statements of the Group were made up.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### (i) Interests and short positions in the securities of the Company and its associated corporations of the Directors and chief executive

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their respective associates nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) 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 deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

#### *Long Position in the Shares*

Name of Director	Capacity/ Nature of interest	No. of Shares held/ interested in	Approximate percentage of the total issued share capital of the Company
Mr. Zhou	Interest in controlled corporation ( <i>Note 1</i> )	195,000,000	62.5%

*Note:*

- China Alliance Venture Limited, the Offeror is 100% beneficially owned by Mr. Zhou Zhenlin. Mr. Zhou Zhenlin is the chairman of the Board and an executive Director of the Company.

#### *Long Position in the shares of Associated Corporation*

Name of Director	Name of associated corporation	Capacity/ Nature of interest	No. of shares held/ interested in the associated corporation	Percentage of shareholding
Mr. Zhou	China Alliance Venture Limited	Beneficial owner	1 share	100%

**(ii) Interests and short positions of substantial Shareholders**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

<b>Name of Shareholders</b>	<b>Capacity/ Nature of interest</b>	<b>No. of Shares held/ interested in</b>	<b>Approximate percentage of the total issued share capital of the Company</b>
The Offeror	Beneficial owner ( <i>Note 1</i> )	195,000,000	62.5%
Ultra Accord	Security interest ( <i>Note 2</i> )	195,000,000	62.5%
Ms. Chu Chui Ling	Interest of a controlled corporation ( <i>Note 2</i> )	195,000,000	62.5%

*Note:*

1. The Offeror is 100% beneficially owned by Mr. Zhou. Therefore, Mr. Zhou is deemed, or taken to be, interested in 195,000,000 Shares held by the Offeror for the purpose of the SFO.
2. Ultra Accord as lender granted a loan facility to the Offeror for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement and has security interest over 195,000,000 Shares charged by the Offeror in favour of Ultra Accord as security for the said loan facility. Ms. Chu Chui Ling 100% owns Ultra Accord, she is deemed to be interested in 195,000,000 Shares held by Ultra Accord by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or which would be required to be disclosed pursuant to the requirements of the Takeovers Code.

**4. ADDITIONAL DISCLOSURE OF INTERESTS**

- (a) As at the Latest Practicable Date, save as disclosed above, none of the Directors was interested within the meaning of Part XV of the SFO in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares.
- (b) As at the Latest Practicable Date, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.
- (c) During the Relevant Period and as at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal trader and exempt fund managers), had owned or controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (d) During the Offer Period and up to the Latest Practicable Date, save for the Sale and Purchase Agreement, there was no person who had arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares.
- (e) During the Offer Period and up to the Latest Practicable Date, no Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares.
- (f) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.
- (g) During the Relevant Period, saved for the Sale Shares, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (h) During the Offer Period and up to the Latest Practicable Date, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder on the one hand; and (b) the Company, its subsidiaries or associated companies on the other hand.

## 5. SHAREHOLDING AND DEALINGS IN SHARES OF THE OFFEROR

During the Relevant Period and as at the Latest Practicable Date, neither the Company, any of its subsidiaries, nor any Directors was interested in and had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror.

## 6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date:

- (i) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) save for the Sale and Purchase Agreement, the Sale Shares Facility Share Charge and the Offer Facility Share Charge, no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

## 7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into service agreements with the following Directors within 6 months before the commencement of the Offer Period:

Name	Position	Term	Amount of remuneration	Variable remuneration
Mr. Zhou	Executive Director	An initial term of 2 years commencing from 6 September 2024, which will be renewed and extended automatically by 1 year on the expiry of such initial term, but he is subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the articles of association of the Company and until terminated by either party giving at least 1 month's written notice of termination.	A director's fee of HK\$10,000 per month	–



Name	Position	Term	Amount of remuneration	Variable remuneration
Ms. Zhang Lingke	Independent non-executive Director	An initial term of 2 years from 21 October 2024, which will be renewed and extended automatically by 1 year upon the expiry of such initial term, but she is subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the articles of association of the Company, until either party gives at least one month's written notice of termination.	A director's fee of HK\$8,000 per month	–
Mr. Zhu Qi	Independent non-executive Director	An initial term of 2 years from 29 November 2024, which will be renewed and extended automatically by 1 year upon the expiry of such initial term, but he is subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the articles of association of the Company, until either party gives at least one month's written notice of termination.	A director's fee of HK\$8,000 per month	–

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which: (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period; (b) was a continuous contract with a notice period of 12 months or more; or (c) was a fixed term contract with more than 12 months to run irrespective of the notice period.

## 8. MATERIAL CONTRACTS

The Group did not enter into any contract which are or may be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date.

## 9. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance were known to the Directors to be pending or threatened against any member of the Group:

Case No.	Plaintiff/ Third Party/ Other Defendant	Nature	Estimated Amount of Claim
1 DCEC No.2830 of 2024	Applicant: Kong Chuen Tai 1st Respondent: Ma Yau Engineering Limited, an indirect wholly-own subsidiary of the Company 2nd Respondent: Paul Y. Construction Company, Limited	Employee's compensation	The employee's compensation case is still ongoing in the District Court of Hong Kong, amount of claim is not assessable at the moment.

## 10. EXPERT'S QUALIFICATION AND CONSENT

The followings is the qualification of the expert who has given opinion or advice contained in this Composite Document:

Name	Qualification
Merdeka Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer

Merdeka Corporate Finance Limited (“**Merdeka**”) has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

**11. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents are available on display (i) on the website of the Company (<http://www.handsform.com>); and (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)), from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapse or are withdrawn (whichever is earlier):

- (i) the memorandum and articles of association of the Company;
- (ii) the annual results announcement of the Company for the year ended 31 December 2024;
- (iii) the annual report of the Company for the year ended 31 December 2023;
- (iv) the annual report of the Company for the year ended 31 December 2022;
- (v) the service agreements referred to in the paragraph headed “7. Directors’ Service Contracts” in this Appendix;
- (vi) the letter from the Board, the text of which is set out on pages 19 to 24 of this Composite Document;
- (vii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 25 to 26 of this Composite Document;
- (viii) the letter of advice from Merdeka to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 52 of this Composite Document;
- (ix) the written consents referred to under the paragraph headed “Expert’s Qualification and Consent” of this Appendix III; and
- (x) this Composite Document and the accompanying Form of Acceptance.

**12. MISCELLANEOUS**

- (i) The principal share registrar and transfer office of the Company in the Cayman Islands is Ocorian Trust (Cayman) Limited, which is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (ii) The branch share registrar and transfer office of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (iii) The registered office of Merdeka is situated at Room 1108-1110 11/F Wing On Centre, 111 Connaught Road, Central, Hong Kong.

The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

**1.    RESPONSIBILITY STATEMENT**

As at the Latest Practicable Date, Mr. Zhou is the sole director and shareholder of the Offeror. As the sole director of the Offeror, Mr. Zhou accepts full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Vendor and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2.    DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY**

The entire issued share capital of the Offeror is legally and beneficially owned by Mr. Zhou. As at the Latest Practicable Date, the Offeror, Mr. Zhou and the parties acting in concert with them hold in aggregate of 195,000,000 Shares, representing approximately 62.5% of the total issued share capital of the Company. As at the Latest Practicable Date, save as disclosed above, none of the Offeror, its ultimate beneficial owner nor any person acting in concert with any of them own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Offeror confirms that, as at the Latest Practicable Date:

- (a) save for the 195,000,000 Shares held by the Offeror immediately following Completion and Ultra Accord who was granted the Offer Facility Share Charge over the Offer Shares to be acquired by the Offeror and Sale Shares Facility Share Charge over the Sale Shares, none of the Offeror, its ultimate beneficial owner nor any party acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company;
- (b) save for (i) the entering into of the Sale and Purchase Agreement, and (ii) the Offer Facility Share Charge and Sale Shares Facility Share Charge, to which Ultra Accord was granted the Offer Facility Share Charge over the Offer Shares to be acquired by the Offeror and Sale Shares Facility Share Charge over the Sale Shares, none of the Offeror, its ultimate beneficial owner nor any party acting in concert with any of them had dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company during the Relevant Period;
- (c) save for (i) the Sale and Purchase Agreement, and (ii) Offer Facility, Sale Shares Facility, the Offer Facility Share Charge and Sale Shares Facility Share Charge, to which Ultra Accord was granted the Offer Facility Share Charge over the Offer Shares to be acquired by the Offeror and Sale Shares Facility Share Charge over the Sale Shares, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares between the Offeror, its ultimate beneficial owner or any party acting in concert with any of them and/or other associates of the Offeror and any other person over any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

- (d) save for the Sale and Purchase Agreement, Offer Facility, Sale Shares Facility, the Offer Facility Share Charge and Sale Shares Facility Share Charge, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, its ultimate beneficial owner or with any person acting in concert with any of them or associates of the Offeror had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period and up to the Latest Practicable Date;
- (e) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner or any party acting in concert with any of them, is a party which relates to circumstances in which the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them may or may not invoke or seek to invoke a precondition or a condition to the Offer;
- (f) none of the Offeror, its ultimate beneficial owner nor any party acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) neither the Offeror, its ultimate beneficial owner nor any party acting in concert with any of them has received any irrevocable commitment to accept or reject the Offer;
- (h) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner nor any party acting in concert with any of them;
- (i) save for the Consideration for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror, its ultimate beneficial owner or any party acting in concert with any of them to the Vendor, its ultimate beneficial owners or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;
- (j) save for the Sale and Purchase Agreement, there is no understanding, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Vendor, its ultimate beneficial owners and any parties acting in concert with any of them on one hand, and the Offeror, its ultimate beneficial owner and or any party acting in concert with any of them on the other hand;
- (k) save for the Sale and Purchase Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Offeror, its ultimate beneficial owner or any party acting in concert with any of them on one hand; and (ii) any Shareholder on the other hand;
- (l) save for the Offer Facility Share Charge, there is no understanding, arrangement or agreement under which securities to be acquired pursuant to the Offer will be transferred, charged, pledged to any other persons. The Offer Facility Share Charge shall become enforceable by Ultra Accord immediately upon the Offeror having breached or defaulted upon its obligations under the Offer Facility;

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## APPENDIX IV                      GENERAL INFORMATION OF THE OFFEROR

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- (m) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (n) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, its ultimate beneficial owner or any party acting in concert with any of them and any Director, recent Directors, Shareholders or recent Shareholders which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (o) there was no material contracts entered into by the Offeror in which any Director has a material personal interest.

### 3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing Price per Share (HK\$)</b>
31 July 2024	0.34
30 August 2024	0.34
30 September 2024	0.95
31 October 2024	0.89
29 November 2024	0.48
31 December 2024	0.87
15 January 2025 (the Last Trading Day)	0.88
28 January 2025	0.85
28 February 2025	0.79
31 March 2025	0.53
7 April 2025 (the Latest Practicable Date)	0.45

During the Relevant Period, (a) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.20 per Share on 17 September 2024; and (b) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.275 per Share on 8 July 2024.

**4. EXPERTS AND CONSENTS**

In addition to those listed under the paragraph headed “10. Expert’s Qualification and consent” in Appendix III to this Composite Document, the following is the name and qualification of the professional adviser whose letters, opinions or advice are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Yellow River Securities	a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
Astrum Capital Management Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advice letter/report and/or the references to its name included herein in the form and context in which it appears.

**5. GENERAL**

- (a) The principal members of the Offeror’s concert parties are the Offeror, Mr. Zhou, Ultra Accord and Ms. Chu Chui Ling. The Offeror is a company incorporated in Hong Kong with limited liability, which is legally and beneficially owned Mr. Zhou, who is also the sole director of the Offeror as at the Latest Practicable Date.
- (b) Ultra Accord is a company incorporated in Hong Kong with limited liability, which is legally and beneficially owned by Ms. Chu Chui Ling. The sole director of Ultra Accord is Mr. Ng Kwok Wai. The correspondence address of Ultra Accord, Mr. Ng Kwok Wai and Ms. Chu Chui Ling is Shop F208, First Floor, The Capital, 61-65 Chatham Road South, Kowloon, Hong Kong.
- (c) The registered office of the Offeror is at Room 1603, 16th Floor, China Building, 29 Queen’s Road Central, Central Hong Kong, Hong Kong. The correspondence address of the Offeror and Mr. Zhou is Room 1603, 16th Floor, China Building, 29 Queen’s Road Central, Central Hong Kong.
- (d) The registered office of Yellow River Securities is Room 2701B, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.
- (e) The registered office of Astrum Capital is Room 2704, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

**6.    DOCUMENTS ON DISPLAY**

In addition to the documents set forth in the paragraph headed “11. Documents available on display” of Appendix III to this Composite Document, copies of the following documents are available on display on the website of the SFC at [www.sfc.hk](http://www.sfc.hk) and the website of the Company at [www.handsform.com](http://www.handsform.com) during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the articles of association of the Offeror;
- (b) the letter from Yellow River Securities, the text of which is set out in the section headed “Letter from Yellow River Securities” of this Composite Document;
- (c) the written consent as referred to in the section headed “4. Expert and consent” in this appendix;
- (d) the Sale and Purchase Agreement; and
- (e) this Composite Document and the accompanying Form of Acceptance.