

## WAN KEI GROUP HOLDINGS LIMITED

### 宏基集團控股有限公司

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

**(Stock Code: 1718)**

*Executive Directors:*

Mr. Bai Huawei

Mr. Wang Yu

*Non-executive Directors:*

Mr. Xu Lin *(Chairman)*

Mr. Lui Kwok Wai

*Independent non-executive Directors:*

Mr. Jiang Senlin

Mr. Zhang Yi

Ms. Dan Xi

*Registered office:*

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

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Emperor Group Center

No. 288 Hennessy Road, Wanchai

Hong Kong

18 February 2025

*To the Shareholders*

Dear Sir/Madam,

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

#### **INTRODUCTION**

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

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

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

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

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

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

### **PROPOSED RIGHTS ISSUE**

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

#### **Issue statistics**

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

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

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

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

#### **Non-underwritten basis**

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

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

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

#### **The Subscription Price**

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

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

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

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

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

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

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

#### **Basis of provisional allotment**

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

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

### **Fractional entitlement to the Rights Shares**

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

### **Status of the Rights Shares**

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

### **Qualifying Shareholders**

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

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

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

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

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

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

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

#### **Certificates of the Rights Shares and refund cheques**

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

#### **Taxation**

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

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

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

#### **Rights Shares will be eligible for admission into CCASS**

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



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

### **Rights of Overseas Shareholders**

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

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

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

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

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

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

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

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

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

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

### Closure of register of members for EGM

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

### Closure of register of members for Rights Issue

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

### PLACING AGREEMENT

Principal terms of the Placing Agreement are as follow:

Placing Agent	:	Beta International Securities Limited
		The Placing Agent is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO.
Placing commission	:	subject to completion of the Placing taking place, the Company shall pay a placing commission of 3.0% of the actual gross proceeds from the subscription of the Unsubscribed Shares and the NQS Unsold Rights Shares under the Placing (the “ <b>Placing Commission</b> ”)
Placing price	:	not less than HK\$0.2 per Unsubscribed Share and the NQS Unsold Rights Shares
Placing Period	:	a period commencing from the first (1st) Business Day immediately after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares (i.e. Thursday, 17 April 2025 under the current timetable) and ending on 4:00 p.m. on the fifth (5th) business day after the date of announcement of the number of Unsubscribed Shares and NQS Unsold Rights Shares (both days inclusive)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Conditions of the Rights Issue**

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

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



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

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

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

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

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

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

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

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

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

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

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

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

### **Fundraising alternatives**

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

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

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

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

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

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

## **FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS**

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

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

## **LISTING RULES IMPLICATIONS**

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

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

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

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

## GENERAL

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

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

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

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

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

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

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

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

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

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

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

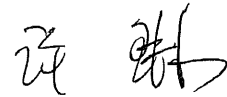
#### **RECOMMENDATION**

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

## **ADDITIONAL INFORMATION**

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

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

A handwritten signature in black ink, consisting of stylized Chinese characters, likely representing Xu Lin.

**Xu Lin**  
*Chairman*