

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.

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.

## 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.

## 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	117,000,000	37.5	117,000,000	37.5
Total	<u>312,000,000</u>	<u>100.0</u>	<u>312,000,000</u>	<u>100.0</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.

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.

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.

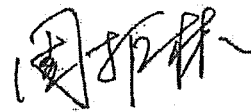
## **RECOMMENDATION**

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**

A handwritten signature in black ink, appearing to be '周振林' (Zhou Zhenlin), written in a cursive style.

**Zhou Zhenlin**  
Chairman and Executive Director