
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Hang Chi Holdings Limited (“Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its 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 circular.



Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

- (1) PROPOSALS FOR RE-ELECTION OF DIRECTORS;
- (2) GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES;
- (3) CHANGE OF AUDITOR;
- (4) DISCLOSEABLE AND CONNECTED TRANSACTIONS – TENANCY AGREEMENTS; AND
- (5) NOTICE OF ANNUAL GENERAL MEETING

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



A notice convening the Annual General Meeting of the Company to be held at Unit 09, 7/F., FTLife Tower, No.18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on 27 June 2022, Monday, at 3 p.m. is set out on pages AGM-1 to AGM-5 of this circular.

A form of proxy for the Annual General Meeting is also enclosed with this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Boardroom Share Registrars (HK) Limited, the branch share registrar of the Company in Hong Kong, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will also be published on the Company’s website at www.shuionnc.com.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

Please see pages iii to v of this circular for measures being taken to try to prevent and control the spread of the coronavirus at the Annual General Meeting, including:

- compulsory temperature checks
- health declarations and scanning of the “LeaveHomeSafe” venue QR code
- wearing of surgical face masks
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures may be denied entry into the Annual General Meeting venue as permitted by law. All attendees are required to wear face masks. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the Annual General Meeting as an alternative to attending the Annual General Meeting in person.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING	iii
DEFINITIONS	1
LETTER FROM THE BOARD	6
I. INTRODUCTION	7
II. PROPOSALS FOR RE-ELECTION OF DIRECTORS	7
III. GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES	8
IV. CHANGE OF AUDITOR	9
V. DISCLOSEABLE AND CONNECTED TRANSACTIONS – TENANCY AGREEMENTS	9
VI. RESPONSIBILITY STATEMENT	18
VII. ANNUAL GENERAL MEETING	18
VIII. VOTING PROCEDURES BY SHAREHOLDERS	19
IX. RECOMMENDATION	20
X. ADDITIONAL INFORMATION	20
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	21
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	23
APPENDIX I — DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING	I-1
APPENDIX II — EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE	II-1
APPENDIX III — MARKET RENT LETTER	III-1
APPENDIX IV — GENERAL INFORMATION	IV-1
NOTICE OF ANNUAL GENERAL MEETING	AGM-1

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

In view of the recent development of the Novel Coronavirus (“COVID-19”) pandemic and the announcement of the Hong Kong Government on the latest Prevention and Control of Disease (Prohibition on Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong), including restriction on conducting of physical general meeting of companies, the Company will adopt the following special arrangements at the AGM:

- (i) The number of attendees inside the AGM venue will not be more than 20 persons, which include the Shareholders (in person or by proxy) and supporting staff for the AGM. Shareholders and/or their proxies will be admitted into the AGM venue on a “first-come-first-served” basis;
- (ii) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the AGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the AGM venue or be required to leave the AGM venue;
- (iii) All Shareholders, proxies and other attendees are required to (a) complete and submit at the entrance of the AGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong as per guidelines issued by the Hong Kong government at any time in the preceding 14 days; and (b) scan the “LeaveHomeSafe” venue QR code prior to entry into the AGM venue. Any person who does not comply with these requirements will be denied entry into the AGM venue or be required to leave the AGM venue;
- (iv) All attendees will be required to wear surgical face masks inside the AGM venue at all times, and to maintain a safe distance between seats; and
- (v) No refreshments will be served, and there will be no corporate gifts.

In order to enhance transparency and encourage interactivity between the Board and the Shareholders, the following special arrangement will be implemented at the AGM:

- (a) To enable Shareholders to participate in the AGM, Shareholders not attending the Meeting in person may join a live webcast of the Meeting where they can view and listen to the AGM as well as submit questions online via online platform, which allows the Shareholders to participate at the AGM in a convenient and efficient way from anywhere with an internet connection.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

(b) Any Shareholder who wishes to join the AGM via online platform must contact the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, to pre-register no later than 3:00 p.m. on Saturday, 25 June 2022 (being not less than forty-eight (48) hours before the AGM) by email to **ir@shuionnc.com** by providing personal particulars as follows:

1. Full name;
2. Registered address;
3. Number of Shares held;
4. Hong Kong identity card number or passport number (in case of natural person)/ company registration number (in case of body corporate);
5. Contact telephone number; and
6. Email address.

The Company will provide the pre-registered Shareholders with the link to the live webcast platform upon confirmation of the Shareholders' identification and interest. Shareholders **MUST NOT** forward the link to other persons who are not Shareholders and who are not entitled to attend the AGM.

(c) Non-registered Shareholders who wish to pre-register will need to: (i) provide information listed in paragraph (b) above; (ii) contact and instruct their banks, brokers, custodians, nominees or the Hong Kong Securities Clearing Company Limited through which their shares are held (together, the "**Intermediary**") to assist themselves to view the AGM via electronic means; and (iii) provide their e-mail address to their Intermediary before the time limit required by the relevant Intermediary.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

- (d) **Shareholders should note that viewing the live webcast of the AGM via online platform will not be counted towards a quorum nor will they be able to cast their votes online** (but can vote by proxy in the manner described elsewhere in this circular). Shareholders who wish to vote are strongly encouraged to appoint the chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM by completing and returning the relevant proxy form in accordance with the instructions therein not less than 48 hours before the time appointed for the holding of the AGM (i.e. not later than 3:00 p.m. on Saturday, 25 June 2022) or any adjournment thereof.

- (e) Shareholders can submit questions relevant to the business of the AGM by email to **ir@shuionnc.com** in advance. If considered appropriate by the Directors at their absolute discretion, the questions will be answered.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the AGM arrangements at short notice. Shareholders should check the websites of the Company and the Stock Exchange for future announcement(s) and updates on the AGM arrangements.

DEFINITIONS

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

“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at Unit 09, 7/F., FTLife Tower, No.18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on 27 June 2022, Monday at 3 p.m., or any adjournment thereof, the notice of which is set out on pages AGM-1 to AGM-5 of this circular, or any adjournment thereof
“Articles of Association” or “Articles”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“close associate”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Hang Chi Holdings Limited (恒智控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8405)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Enhanced Bought Place Scheme” or “EBPS”	the scheme under which the Social Welfare Department has purchased places from private homes for the elderly since 1998, with a view to upgrading the service standard of these homes through enhanced service requirements in terms of staffing and space standard. This also helps to increase the supply of subsidised places so as to reduce elders’ waiting time for subsidised care and attention places. Care and attention homes under the EBPS are split into two categories, namely EA1 and EA2 with different spacing and staffing requirements

DEFINITIONS

“Ever Premier”	Ever Premier Limited (永平有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by Roymark
“Ever Premier Property”	the property located at Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong
“Ever Premier Tenancy Agreement”	the tenancy agreement dated 14 March 2022 entered into between Shui Jun (Yau Tong) as tenant and Ever Premier as landlord
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“HCDI”	Hang Chi Development & Investment Limited (恒智發展投資有限公司), a company incorporated in Hong Kong with limited liability, the ultimate beneficial owner of which is Mr. Yik
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors, namely Mr. Wong Wai Ho, Mr. Lau Tai Chim and Mr. Kwok Chi Shing, which has been established to advise the Independent Shareholders on the Tenancy Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the entering into of the Tenancy Agreements and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	shareholder(s) who are not required to abstain from voting on resolutions to approve the Tenancy Agreements and the transactions contemplated thereunder at the AGM pursuant to the GEM Listing Rules
“Independent Third Part(ies)”	a person(s) or company(ies) who/which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is/are not connected with (within the meaning of the GEM Listing Rules) any member of the Group, Directors, chief executive and the substantial shareholders of the Company and its subsidiaries, and their respective associates
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the AGM to exercise the powers of the Company to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares as at the date of passing of the relevant resolution
“Jumbo Sino”	Jumbo Sino Investment Limited (基兆投資有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Lui
“Latest Practicable Date”	23 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Market Rent Letter”	a letter prepared by Royson Valuation Advisory Limited, an independent property valuer, containing its opinion on prevailing market rent and the fairness and reasonableness of the terms of the Tenancy Agreements using a market comparison approach, which is set out in Appendix III to this circular
“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company, as amended, modified or otherwise supplemented from time to time
“Mr. Lui”	Mr. Lui Chi Tat (雷志達), the chief executive officer of the Company and an executive Director
“Mr. Yik”	Mr. Yik Tak Chi (易德智), an executive Director and a controlling shareholder of the Company

DEFINITIONS

“Ms. WH Yik”	Ms. Yik Wai Hang (易蔚恒), a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui
“Properties”	collectively, the Ever Premier Property and the Roymark Property
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the AGM to exercise the powers of the Company to repurchase Shares on the Stock Exchange not exceeding 10% of the total number of issued Shares as at the date of passing of the relevant resolution
“Roymark”	Roymark Limited (滙馬有限公司), a company incorporated in Hong Kong with limited liability
“Roymark Property”	the property located at Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong
“Roymark Tenancy Agreement”	the tenancy agreement dated 14 March 2022 entered into between Shui Jun (Yau Tong) as tenant and Roymark as landlord
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shui Jun (Yau Tong)”	Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Shui Wah”	Shui Wah Limited (瑞樺有限公司), a company incorporated in the British Virgin Islands with limited liability
“sq.ft.”	square feet
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
“Tenancy Agreements”	collectively, the Ever Premier Tenancy Agreement and the Roymark Tenancy Agreement
“Yau Tong Elderly Home”	the elderly residential care home operated by Shui Jun (Yau Tong)
“%”	per cent

LETTER FROM THE BOARD



Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

Executive Directors:

Mr. Yik Tak Chi (*Chairman*)
Mr. Lui Chi Tat (*Chief Executive Officer*)
Mr. Chung Kin Man
Ms. Chung Wai Man

Non-executive Director:

Mr. Lau Joseph Wan Pui

Independent non-executive Directors:

Mr. Kwok Chi Shing
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Headquarters and principal place
of business in Hong Kong:*

Unit 09, 7/F., FTLife Tower
No. 18 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

26 May 2022

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSALS FOR RE-ELECTION OF DIRECTORS;
(2) GENERAL MANDATES TO ISSUE NEW SHARES AND
REPURCHASE SHARES;
(3) CHANGE OF AUDITOR;
(4) DISCLOSEABLE AND CONNECTED TRANSACTIONS –
TENANCY AGREEMENTS; AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information of the resolutions to be proposed, and if thought fit, to be approved at the AGM relating to:

- (i) the re-election of Directors;
- (ii) the granting to the Directors of the Issue Mandate, the Repurchase Mandate and the extension of the Issue Mandate;
- (iii) the change of auditor; and
- (iv) the Tenancy Agreements.

II. PROPOSALS FOR RE-ELECTION OF DIRECTORS

The Board currently consists of eight Directors, including four executive Directors, namely, Mr. Yik Tak Chi, Mr. Chung Kin Man, Ms. Chung Wai Man and Mr. Lui Chi Tat, one non-executive Director, namely, Mr. Lau Joseph Wan Pui and three independent non-executive Directors, namely, Mr. Kwok Chi Shing, Mr. Lau Tai Chim and Mr. Wong Wai Ho.

Pursuant to Article 84(1) of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Accordingly, Mr. Chung Kin Man, Ms. Chung Wai Man and Mr. Wong Wai Ho shall retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the AGM.

The nomination committee of the Company (the “**Nomination Committee**”) has reviewed the composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company’s Board Diversity Policy and Nomination Policy, and the independence of all independent non-executive directors. The Nomination Committee has recommended to the Board on re-election of all the retiring Directors. The Nomination Committee has also assessed and reviewed each of the independent non-executive Directors’ annual written confirmation of independence based on the independence criteria as set out in Rule 5.09 of the GEM Listing Rules and confirmed that all independent non-executive Directors remain independent.

Details of the Directors proposed to be re-elected at the AGM are set out in Appendix I to this circular in accordance with the relevant requirements of the GEM Listing Rules.

LETTER FROM THE BOARD

III. GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

General Mandate to Issue New Shares

The current general mandate previously granted to the Directors to issue Shares by written resolution of the then Shareholders passed on 6 May 2021 will expire at the conclusion of the AGM. Up to the Latest Practicable Date, such mandate had not been used.

An ordinary resolution will be proposed at the AGM to grant to the Directors a general and unconditional mandate to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares as at the date of passing of the proposed resolution of the Issue Mandate.

As at the Latest Practicable Date, the number of Shares in issue was 400,000,000. Subject to the passing of the resolution approving the Issue Mandate and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company will be authorised to allot, issue and deal with up to a maximum of 80,000,000 Shares.

In addition, if the Repurchase Mandate is granted, a separate ordinary resolution will be proposed at the AGM to extend the number of new Shares which may be allotted, issued and dealt with under the Issue Mandate by the number of Shares repurchased under the Repurchase Mandate (up to a maximum of 10% of the total number of issued Shares as at the date of the grant of the Repurchase Mandate).

The Issue Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the AGM or any earlier date as referred to in the proposed ordinary resolution contained in item 4 of the notice of the AGM as set out on pages AGM-1 to AGM-5 of this circular.

General Mandate to Repurchase Shares

The current general mandate previously granted to the Directors to repurchase Shares passed on 6 May 2021 will expire at the conclusion of the AGM. Up to the Latest Practicable Date, such mandate had not been used.

An ordinary resolution will be proposed at the AGM to grant to the Directors a general and unconditional mandate to repurchase Shares up to 10% of the total number of issued Shares as at the date of passing of the proposed resolution of the Repurchase Mandate.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the number of Shares in issue was 400,000,000. Subject to the passing of the resolution approving the Repurchase Mandate and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company will be authorised to repurchase up to a maximum of 40,000,000 Shares.

The Repurchase Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the AGM or any earlier date as referred to in the proposed ordinary resolution contained in item 5 of the notice of the AGM as set out on pages AGM-1 to AGM-5 of this circular.

The explanatory statement required to be sent to the Shareholders under the GEM Listing Rules is set out in Appendix II to this circular to provide the Shareholders with the requisite information pertaining the Repurchase Mandate.

IV. CHANGE OF AUDITOR

Reference is made to the Company's announcement dated 25 March 2022 in relation to the proposed change of auditor. As stated in the announcement, Ernst & Young will retire as the auditor of the Company upon expiration of its current term of office with effect from the conclusion of the AGM and will not offer themselves for re-appointment. Ernst & Young has been appointed as the auditor of the Company since 2015, and the Board is of the view that rotation of auditor of the Company after an appropriate period of time is a good corporate governance practice to ensure independence of the auditor. The Board, having considered the recommendation of the Audit Committee of the Company (the "**Audit Committee**"), has resolved to (i) change the auditor of the Company with effect from the conclusion of the AGM; and (ii) propose the appointment of UniTax Prism (HK) CPA as the new auditor of the Company following the retirement of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company, which is subject to the approval of the Shareholders at the AGM.

Ernst & Young has confirmed that there are no matters connected with its proposed retirement that need to be brought to the attention of the Shareholders. The Board and the Audit Committee have further confirmed that there is no disagreement between Ernst & Young and the Company and there are no other matters in respect of the proposed change of auditor that need to be brought to the attention of the Shareholders.

V. DISCLOSEABLE AND CONNECTED TRANSACTIONS – TENANCY AGREEMENTS

Reference is made to the announcement of the Company dated 14 March 2022 in relation to the Tenancy Agreements.

Reference is also made to the announcements of the Company dated 10 June 2021 and 15 June 2021 in respect of, among others, the original tenancy agreements of the Properties. The original tenancy agreements will be expired on 30 June 2022.

LETTER FROM THE BOARD

On 14 March 2022 (after trading hours), Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into the Tenancy Agreements with Ever Premier and Roymark, as landlords, respectively.

The principal terms of the Tenancy Agreements are set out below.

(A) Ever Premier Tenancy Agreement

Date: 14 March 2022

Parties: (1) Ever Premier as landlord
(2) Shui Jun (Yau Tong) as tenant

As at the Latest Practicable Date, Ever Premier was wholly-owned by Roymark, the landlord of the Roymark Tenancy Agreement.

Property: Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong

Term: From 1 July 2022 (or the date of fulfillment of the conditions as set out below, whichever is later) and expiring on 30 June 2026 (both dates inclusive). The tenant has an option to apply for renewal of the Ever Premier Agreement at the then market rent by serving a written notice to Ever Premier within six months (but not less than three months) prior to expiry of the Ever Premier Agreement. The tenant also has the right to terminate the Ever Premier Tenancy Agreement unconditionally by serving not less than six months prior written notice to Ever Premier.

Rent: HK\$200,000 per month (inclusive of government rates, government rent and management fees)

Usage: Operation of the Yau Tong Elderly Home

(B) Roymark Tenancy Agreement

Date: 14 March 2022

Parties: (1) Roymark as landlord
(2) Shui Jun (Yau Tong) as tenant

LETTER FROM THE BOARD

As at the Latest Practicable Date, Roymark owned the entire issued share capital of Ever Premier, the landlord of the Ever Premier Tenancy Agreement.

Property:	Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong
Term:	From 1 July 2022 (or the date of fulfillment of the conditions as set out below, whichever is later) and expiring on 30 June 2026 (both dates inclusive). The tenant has an option to apply for renewal of the Roymark Tenancy Agreement at the then market rent by serving a written notice to Roymark within six months (but not less than three months) prior to expiry of the Roymark Tenancy Agreement. The tenant also has the right to terminate the Roymark Tenancy Agreement unconditionally by serving not less than six months prior written notice to Roymark.
Rent:	HK\$890,000 per month (inclusive of government rates, government rent and management fees)
Usage:	Operation of the Yau Tong Elderly Home

Commencement of the term of the tenancy under the Tenancy Agreements shall be conditional upon (a) the Company having published an announcement and despatched a circular in relation to the Tenancy Agreements to its Shareholders, and the Independent Shareholders having approved the Tenancy Agreements and the transactions contemplated thereunder at the AGM; (b) the Board and the Independent Board Committee having approved the Tenancy Agreements and the transactions contemplated thereunder; and (c) there being no opposition from the Stock Exchange and other regulatory authorities.

Basis of Determination of the Rents Under the Tenancy Agreements

Rents under the Tenancy Agreements were determined after arm's length negotiation between the parties to the Tenancy Agreements with reference to the prevailing market rents for comparable properties in a similar location to the Properties and the opinion as to prevailing market rents contained in the Market Rent Letter.

LETTER FROM THE BOARD

In determining the rents under the Tenancy Agreements, the Company considered the prevailing market rents of similar properties whose tenancies were registered and available at the Land Registry. As such, the Company has engaged an independent professional valuer, namely Royson Valuation Advisory Limited (the “**Independent Valuer**”), to obtain relevant information. The Company has reviewed the following comparable properties which are used for the elderly care or related industries and the prevailing market rents as set out in the Market Rent Letter (the “**Elderly Home Comparables**”):

Address	Monthly Rent <i>(exclusive of government rates, government rent and management fees)</i>	Approximate Lettable Area <i>(sq.ft.)</i>	Rent per Lettable Area <i>(per sq.ft.)</i>	Adjusted Unit Rent as Compared to the Roymark Property <i>(per sq.ft.)</i>	Adjusted Unit Rent as Compared to the Ever Premier Property <i>(per sq.ft.)</i>
Jupiter Terrace, No. 18 Jupiter Street, Hong Kong	HK\$500,000	12,628	HK\$39.59	HK\$41.82	HK\$42.41
King’s Building, Nos. 521-525 Queen’s Road West, Hong Kong	HK\$290,000	7,605	HK\$38.13	HK\$39.92	HK\$40.49
Po Wing Building, Nos. 235/249 Yee Kuk Street, Kowloon	HK\$720,000	21,922	HK\$32.84	HK\$34.81	HK\$35.30
Tsuen Wan Centre Shopping Arcade, No. 86 Tsuen King Circuit, Tsuen Wan, New Territories	HK\$600,000	16,353	HK\$36.69	HK\$38.74	HK\$39.29
			Minimum	HK\$34.81	HK\$35.30
			Maximum	HK\$41.82	HK\$42.41

Pursuant to the Market Rent Letter, the Elderly Home Comparables were selected by the Independent Valuer based on the following criteria: (i) the tenancies were transacted within two years from the valuation date; (ii) the relevant properties are located in urban and extended urban districts; (iii) the relevant properties are used for the elderly care or related industries; (iv) the tenancies were registered at the Land Registry; and (v) the term of the tenancies is over four years. Furthermore, when comparing the rents under the Tenancy Agreements in respect of each of the Roymark Property and the Ever Premier Property, the unit rents in respect of the Elderly Home Comparables have been adjusted

LETTER FROM THE BOARD

based on certain adjustment factors to reflect the variation in the features of the relevant tenancies and/or the underlying comparable properties, such as time adjustment, floor level, location, building age, headroom and size of the comparable properties. For details of such adjustment factors, please refer to the Market Rent Letter in Appendix III to this circular. As confirmed by the Independent Valuer, the Elderly Home Comparables represent an exhaustive list of relevant comparables to their best understanding.

To the best knowledge, information and belief of the Directors, it is also an industry practice to obtain and consider information on the prevailing market rents of the comparable properties in the vicinity of the property from property agency specialised in the elderly residential care home industry prior to the entering of new tenancy agreements. As Yau Tong Elderly Home is classified as an EA2 home (*Note*) under the Enhanced Bought Place Scheme, the Company has evaluated the prevailing market rents of the following properties (the “**Market References**”) by obtaining information from a property agency, namely RCHE Consultant Limited (the “**Property Agency**”), specialised in the elderly residential care home industry.

District	Address	Classification under the EBPS	Monthly Rent <i>(exclusive of government rates, government rent and management fees)</i>	Approximate Lettable Area <i>(sq.ft.)</i>	Rent per Lettable Area <i>(per sq.ft.)</i>
Ngau Tau Kok	Ting Fu Street and Ting On Street	EA1	HK\$750,000	12,632	HK\$59.37 per sq.ft.
Ngau Tau Kok	Ngau Tau Kok Road	EA2	HK\$630,000	12,020	HK\$52.41 per sq.ft.

Note: The class EA1 home has a higher quality requirement than class EA2 home under the EBPS in terms of staffing and spacing requirements. The minimum net floor area per elderly resident for class EA1 home and class EA2 home are 9.5 sq. m and 8 sq. m, respectively. More staff shall be employed by a class EA1 home than class EA2 home to provide services for its elderly residents.

The Market References were selected based on the criteria that: (i) the properties should be located in the same district as the Yau Tong Elderly Home, i.e. Kowloon East; (ii) the properties are being occupied for operation of classes EA1 and/or EA2 elderly residential care homes; (iii) the term of tenancy is at least three years; and (iv) the properties were leased out to the relevant tenants in late 2021. The Directors are of the view that the information on the Market References provided by the Property Agency is representative and reliable, as (a) to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, there are only three property agencies in Hong Kong which are engaged in the leasing and sale and purchase of elderly residential care homes, and the Property Agency records the most transactions among the three

LETTER FROM THE BOARD

property agencies; and (b) the Property Agency has long term of business relationship with the Group since 2016.

Based on the Elderly Home Comparables (having taken into account the adjusted unit rents as stated in the Market Rent Letter) and the Market References, the range of the prevailing market rents (exclusive of government rates, government rent and management fees) are as follows:

- Roymark Property: from approximately HK\$34.81 to HK\$59.37 per sq.ft
- Ever Premier Property: from approximately HK\$35.30 to HK\$59.37 per sq.ft

The parties, having considered the Elderly Home Comparables and the Market References, determined the rents (exclusive of government rates, government rent and management fees) under the Roymark Tenancy Agreement and the Ever Premier Tenancy Agreement at HK\$42.0 per sq.ft. and HK\$42.5 per sq.ft., respectively.

As compared to the range of the Elderly Home Comparables alone (i.e. approximately HK\$34.81 to HK\$41.82 per sq.ft. for the Roymark Property and approximately HK\$35.30 to HK\$42.41 per sq.ft. for the Ever Premier Property), the unit rents under the Tenancy Agreements are at the higher end. However, if the geographical factor is also considered and thus taking into account the two properties located in Kowloon East in the Market References, the unit rents under the Tenancy Agreements fall within the range of the Elderly Home Comparables and Market References as a whole (i.e. approximately HK\$34.81 to HK\$59.37 per sq.ft for the Roymark Property and approximately HK\$35.30 to HK\$59.37 per sq.ft. for the Ever Premier Property). Having considered the aforesaid and the Independent Valuer's view that the rentals payable by the Group under the Tenancy Agreements are fair and reasonable, and comparable to the prevailing market rents for similar premises in similar location, the Directors (excluding Mr. Yik and Mr. Lui who had abstained from voting on the resolutions of the Board approving the Tenancy Agreements and the transactions contemplated thereunder but including the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) consider that the terms (including the rents) of the Tenancy Agreements are on normal commercial terms or better, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Right-of-Use Assets

Pursuant to IFRS16, the Group will recognise rental payments under the Tenancy Agreements as right-of-use assets. Accordingly, the entering into of the Tenancy Agreements is regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules.

LETTER FROM THE BOARD

The estimated value of the right-of-use assets to be recognised by the Company under each of the Tenancy Agreements is set out below:

	Estimated value of the right-of-use assets (HK\$ million)
Ever Premier Tenancy Agreement	8.8
Roymark Tenancy Agreement	<u>39.0</u>
Total	<u><u>47.8</u></u>

The estimated value of the right-of-use assets as disclosed above represents the present value of the aggregate lease payments to be made under the Tenancy Agreements and calculated by discounting the lease payments using the rate applicable at the commencement date of the Tenancy Agreements in accordance with IFRS16.

Shareholders should note that the above disclosed estimated value of right-of-use assets is unaudited and may be subject to adjustment in the future.

Information on the Parties

Information on Shui Jun (Yau Tong) and the Group

Shui Jun (Yau Tong) is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. Shui Jun (Yau Tong) operates an elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) in Yau Tong, Hong Kong, which is an EA2 home under the EBPS with 228 residential care places.

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents.

Information on Ever Premier

Ever Premier is a company incorporated in Hong Kong with limited liability, which is wholly-owned by Roymark. It is principally engaged in investment in properties in Hong Kong.

LETTER FROM THE BOARD

Information on Roymark

Roymark is a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik, 17.5% by Mr. Hui Lung (許龍) and 17.5% by AMCA Fur Company Limited (美加皮草有限公司).

Mr. Hui Lung is a private investor and an Independent Third Party. AMCA Fur Company Limited is a company incorporated in Hong Kong with limited liability, the principal business of which is investment holding. As at the Latest Practicable Date, AMCA Fur Company Limited was owned as to 60% by Ms. Ngai Siu Mui (魏小妹), 20% by Mr. Chui Chi Wai (徐志偉) and 20% by Mr. Chui Leong Wing (徐亮榮), all of whom are private investors and Independent Third Parties.

Roymark is principally engaged in investment in properties in Hong Kong.

Reasons for and Benefits of Entering into the Tenancy Agreements

The Properties under the Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the Yau Tong Elderly Home. At the time when the Company was preparing for a proposed transfer of listing from GEM to Main Board in December 2019 (*Note*), the Company identified that (i) the use of Properties by Shui Jun (Yau Tong) for the operation of an elderly residential care home is inconsistent with the user stated in the deed of mutual covenants and occupation permits of the Properties, which also constitutes a breach of the government lease; and (ii) Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Properties.

As at the Latest Practicable Date, no warning letters from the Lands Department had been received nor any inspection, fines or prosecution action had been taken by the Hong Kong Government or any competent authorities with respect to the aforesaid incident. As advised by the legal counsel, (a) the failure to issue the Section 25 notice to the Building Authority for change of land use took place before the 12-month prosecution time bar under Section 40(8) of the Buildings Ordinance; and (b) the risk of enforcement action by the Lands Department in the form of re-entry was remote because Shui Jun (Yau Tong) had not received any warning letter from the Lands Department regarding misuse of the Properties.

Accordingly, the Company has prepared a relocation plan and has been considering potential relocation of the Yau Tong Elderly Home to other properties. In the event that the Company could not find a suitable property, the Company may consider a potential disposal of Shui Jun (Yau Tong), subject to the then market condition, to minimise any impact of the aforesaid incident to the Group. As at the Latest Practicable Date, the Group had not engaged in any formal negotiations or signed any documents regarding the potential disposal with any potential buyers. The Directors consider that the entering into of the Tenancy Agreements is a suitable transitional measure to maintain operation of the Yau

LETTER FROM THE BOARD

Tong Elderly Home prior to adoption of the above plan, as Shui Jun (Yau Tong) has been provided with flexibility to terminate the Tenancy Agreements unconditionally by serving not less than six months prior written notice to the landlords pursuant to the Tenancy Agreements.

Having considered the above, the Directors (excluding Mr. Yik and Mr. Lui who had abstained from voting on the resolutions of the Board approving the Tenancy Agreements and the transactions contemplated thereunder but including the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) are of the view that the Tenancy Agreements and the transactions respectively contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Note: The Company has decided not to proceed with the proposed transfer of listing. For more details, please refer to the announcements of the Company dated 16 June 2020, 3 February 2021 and 3 August 2021, respectively.

Implications under the GEM Listing Rules

As at the Latest Practicable Date, (i) Roymark was beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consisted of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties; (iii) Ever Premier was wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of the Tenancy Agreements will be regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules.

LETTER FROM THE BOARD

Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Tenancy Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 exceed 5% but all are less than 25%, the Tenancy Agreements, on an aggregate basis, constitute discloseable and connected transactions of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

At the Board meeting held to approve the Tenancy Agreements and the transactions contemplated thereunder, Mr. Yik and Mr. Lui were considered to be interested in the Tenancy Agreements and the transactions contemplated thereunder, and had abstained from voting on the relevant Board resolution relating to the Tenancy Agreements and the transactions contemplated thereunder. Apart from the aforesaid, none of the Directors had any material interest in the Tenancy Agreements and was required to abstain from voting on the relevant Board resolution approving the Tenancy Agreements and the transactions contemplated thereunder.

VI. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

VII. ANNUAL GENERAL MEETING

A notice convening the AGM to be held at Unit 09, 7/F., FTLife Tower, No.18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on 27 June 2022, Monday, at 3 p.m. is set out on pages AGM-1 to AGM-5 of this circular. At the AGM, resolutions will be proposed to approve, among others, (i) the re-election of Directors; (ii) the granting to the Directors of the Issue Mandate, the Repurchase Mandate and the extension of the Issue Mandate; (iii) the change of auditor; and (iv) the Tenancy Agreements and the transactions contemplated thereunder.

A form of proxy for use at the AGM is enclosed with this circular. Please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong and in any event no less than 48 hours before the time appointed for holding the AGM (i.e., no later than 3:00 p.m. on Saturday, 25 June 2022) or any adjournment thereof. The Company reminds Shareholders who wish to exercise his/her/its voting rights that they may appoint the chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM.

LETTER FROM THE BOARD

Instead of attending the AGM in person, you may opt to participate in the AGM through a live webcast of the AGM where you can view and listen to the AGM as well as submit questions online via online platform by visiting the designated link to the live webcast platform. However, **you should note that viewing the live webcast of the AGM via online platform will not be counted towards a quorum nor will be able to cast your vote online.** To vote at the AGM, you should complete and return the form of proxy, appointing the chairman of the AGM as your proxy. For details, please refer to the section headed “Special Arrangements and Precautionary Measures for the Annual General Meeting” on pages iii to v of this Circular.

The Ever Premier Tenancy Agreement and the Roymark Tenancy Agreement are bundled into one resolution to be proposed at the AGM for approval by the Independent Shareholders, as the Yau Tong Elderly Home shall be operated in both of the Properties pursuant to its licence of residential care home for the elderly.

Any Shareholders who are involved in or interested in the Tenancy Agreements are required to abstain from voting on the relevant ordinary resolution approving the Tenancy Agreements and the transactions contemplated thereunder at the AGM. As at the Latest Practicable Date, (i) Mr. Yik, a controlling shareholder, an executive Director and the chairman of the Company, was interested in 258,996,000 Shares (representing approximately 64.75% of the issued share capital of the Company), of which 10,296,000 Shares were held as beneficial owner and 248,700,000 Shares were indirectly held through Shui Wah; and (ii) Mr. Lui, an executive Director, was interested in 36,032,000 Shares in the Company (representing approximately 9.01% of the issued share capital of the Company), of which 20,720,000 Shares were held as beneficial owner, 15,300,000 Shares were directly held through Jumbo Sino and 12,000 Shares were held by his spouse. Accordingly, Mr. Yik, Mr. Lui, Shui Wah, Jumbo Sino and their respective close associates will abstain from voting on the relevant ordinary resolution in relation to the Tenancy Agreements and the transactions contemplated thereunder to be proposed at the AGM.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as the aforesaid Shareholders, no other Shareholder (or its/his/her close associates) had any material interest in any of the resolution to be proposed at the AGM and will be required to abstain from voting at the AGM to approve the relevant resolutions.

VIII. VOTING PROCEDURES BY SHAREHOLDERS

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes at the AGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the AGM will demand a poll for each and every resolution put forward at the AGM pursuant to the Articles of Association. An announcement on the poll vote results will be published by the Company after the AGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

LETTER FROM THE BOARD

IX. RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Lau Tai Chim and Mr. Wong Wai Ho, has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the Tenancy Agreements and the transactions contemplated thereunder. To the best of knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Tenancy Agreements and the transactions contemplated thereunder. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular.

Merdeka Corporate Finance Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Tenancy Agreements and the transactions contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 23 to 39 of this circular.

The Board considers that (i) the re-election of Directors, (ii) the granting to the Directors of the Issue Mandate, the Repurchase Mandate and the extension of the Issue Mandate and (iii) the change of auditor are in the best interests of the Company and the Shareholders as a whole.

The Board (including the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) further considers that the Tenancy Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of all resolutions to be proposed at the AGM.

X. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Hang Chi Holdings Limited
Leung Pui Shan
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the Tenancy Agreements and the transactions contemplated thereunder for inclusion in this circular.



Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

26 May 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS TENANCY AGREEMENTS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Tenancy Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 26 May 2022 (the “**Circular**”), of which this letter forms a part. Terms used herewith shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us on the Tenancy Agreements and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 23 to 39 of the Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed “Reasons for and Benefits of Entering into the Tenancy Agreements” of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Adviser, and its conclusion and advice, we are of the opinion that the terms of the Tenancy Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and on normal commercial terms or better, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM for approving the Tenancy Agreements and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Hang Chi Holdings Limited

Mr. Wong Wai Ho
Independent
Non-executive Director

Mr. Lau Tai Chim
Independent
Non-executive Director

Mr. Kwok Chi Shing
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Tenancy Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this Circular.



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

26 May 2022

*To: The Independent Board Committee and the Independent Shareholders of
Hang Chi Holdings Limited*

Dear Sirs/Madams,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE TENANCY AGREEMENTS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Tenancy Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 26 May 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 14 March 2022 in relation to the Tenancy Agreements. On 14 March 2022 (after trading hours), Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into the Tenancy Agreements with Ever Premier and Roymark, as landlords, respectively, for a term of four years from 1 July 2022 to 30 June 2026, as a renewal of the existing tenancy agreements in respect of the Properties which will be expired on 30 June 2022.

As at the Latest Practicable Date, (i) Roymark is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of the Tenancy Agreements will be regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Tenancy Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 exceed 5% but all are less than 25%, the Tenancy Agreements, on an aggregate basis, constitute discloseable and connected transactions of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

At the Board meeting held to approve the Tenancy Agreements and the transactions contemplated thereunder, Mr. Yik and Mr. Lui were considered to be interested in the Tenancy Agreements and the transactions contemplated thereunder, and had abstained from voting on the relevant Board resolution relating to the Tenancy Agreements and the transactions contemplated thereunder. Apart from the aforesaid, none of the Directors had any material interest in the Tenancy Agreements and was required to abstain from voting on the relevant Board resolution approving the Tenancy Agreements and the transactions contemplated thereunder.

Any Shareholders who are involved in or interested in the Tenancy Agreements are required to abstain from voting on the relevant ordinary resolution approving the Tenancy Agreements and the transactions contemplated thereunder at the AGM. As at the Latest Practicable Date, (i) Mr. Yik, a controlling shareholder, an executive Director and the chairman of the Company, is interested in 258,996,000 Shares (representing approximately 64.75% of the issued share capital of the Company), of which 10,296,000 Shares were held as beneficial owner and 248,700,000 Shares were indirectly held through Shui Wah; and (ii) Mr. Lui, an executive Director, was interested in 36,032,000 Shares in the Company (representing approximately 9.01% of the issued share capital of the Company), of which 20,720,000 Shares were held as beneficial owner, 15,300,000 Shares were directly held through Jumbo Sino and 12,000 Shares were held by his spouse. Accordingly, Mr. Yik, Mr. Lui, Shui Wah, Jumbo Sino and their respective close associates will abstain from voting on the relevant ordinary resolution in relation to the Tenancy Agreements and the transactions contemplated thereunder to be proposed at the AGM. As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as the aforesaid Shareholders, no Shareholder (or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

its/his/her close associates) has any material interest in the Tenancy Agreements and will be required to abstain from voting at the AGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Wai Ho, Mr. Lau Tai Chim and Mr. Kwok Chi Shing, has been established to advise and provide recommendation to the Independent Shareholders on the Tenancy Agreements and to advise the Independent Shareholders on how to vote. We, Merdeka Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Tenancy Agreements are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Tenancy Agreements; (ii) the financial information of the Group for the years ended 31 December 2020 and 2021, (iii) the market rent letter dated 26 May 2022 (the “**Market Rent Letter**”) issued by Royson Valuation Advisory Limited (the “**Valuer**”) and the valuation report (the “**Valuation Report**”) in respect of market rent of the Properties as at 17 February 2022 (the “**Valuation Date**”); (iv) other information as set out in the Circular; and (v) other relevant public information. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company (the “**Management**”). We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and the Management, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors, the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Management and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

This letter is issued to the Independent Shareholders solely in connection for their consideration of the connected transaction in relation to the Tenancy Agreements and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of Tenancy Agreements are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background information

1.1 Information on the Shui Jun (Yau Tong) and the Group

As disclosed in the Board Letter, Shui Jun (Yau Tong) is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. Shui Jun (Yau Tong) operates an elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) (“**Yau Tong Elderly Home**”) in Yau Tong, Hong Kong, which is an EA2 home under the Enhanced Bought Place Scheme (the “**EBPS**”) with 228 residential care places.

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents.

1.2 Information on Ever Premier

Ever Premier is a company incorporated in Hong Kong with limited liability, which is wholly-owned by Roymark. It is principally engaged in investment in properties in Hong Kong.

1.3 Information on Roymark

Roymark is a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik, 17.5% by Mr. Hui Lung (許龍) and 17.5% by AMCA Fur Company Limited (美加皮草有限公司).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Hui Lung is a private investor and an Independent Third Party. AMCA Fur Company Limited is a company incorporated in Hong Kong with limited liability, the principal business of which is investment holding. As at the Latest Practicable Date, AMCA Fur Company Limited was owned as to 60% by Ms. Ngai Siu Mui (魏小妹), 20% by Mr. Chui Chi Wai (徐志偉) and 20% by Mr. Chui Leong Wing (徐亮榮), all of whom are private investors and Independent Third Parties.

Roymark is principally engaged in investment in properties in Hong Kong.

2. Reasons for and benefits of entering into the Tenancy Agreements

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents. The Properties under the Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of Yau Tong Elderly Home.

As stated in the Board Letter, at the time when the Company was preparing for a proposed transfer of listing from GEM to Main Board in December 2019, the Company identified that (i) the use of the Properties by Shui Jun (Yau Tong) for the operation of Yau Tong Elderly Home is inconsistent with the user stated in the deed of mutual covenants and occupation permits of the Properties, which also constitutes a breach of the government lease; and (ii) Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Properties.

As at the Latest Practicable Date, no warning letters from the Lands Department had been received nor any inspection, fines or prosecution action had been taken by the Hong Kong Government or any competent authorities with respect to the aforesaid incident. As advised by the legal counsel of the Company, (a) the failure to issue the Section 25 notice to the Building Authority for change of land use took place before the 12-month prosecution time bar under section 40(8) of the Buildings Ordinance; and (b) the risk of enforcement action by the Lands Department in the form of re-entry was remote because Shui Jun (Yau Tong) had not received any warning letter from the Lands Department regarding misuse of the Properties.

Accordingly, the Company has prepared a relocation plan and has been considering potential relocation of Yau Tong Elderly Home to other properties. In the event that the Company could not find a suitable property, the Company may consider a potential disposal of Shui Jun (Yau Tong), subject to the then market condition, to minimise any impact of the aforesaid incident to the Group.

Despite both relocation and disposal plans having been under consideration by the Group, based on our discussion with the Management, we noted it is currently uncertain whether and when the aforesaid plan will be implemented. In addition, given the existing tenancy agreements in respect of the Properties will be expired on 30 June 2022 and it is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

important to maintain the stability in the operation of an elderly residential care home, the Directors believed that the entering into of the Tenancy Agreements is beneficial to the Group's principal business.

Further, we noted the lease term of the Tenancy Agreements is four-year. As advised by the Management, the term of licence of an elderly residential care home in Hong Kong is normally renewable every two years. We conducted a search regarding the renewal term of the license of Yau Tong Elderly Home on the official website of Social Welfare Department of Hong Kong ("SWD") (<https://www.swd.gov.hk/en/index>) and noted the renewal term of the license of Yau Tong Elderly Home is every two years.

On the other hand, Shui Jun (Yau Tong) will be able to terminate the Tenancy Agreements unconditionally by serving not less than six months prior written notice to the landlords pursuant to the Tenancy Agreements, hence, the Directors believed that the entering into of the Tenancy Agreements is a suitable transitional measure prior to adoption of either the relocation or disposal plan by the Group.

Having considered (i) the entering into of the Tenancy Agreements and the term of four years under the Tenancy Agreements secure the continuity and stability of the operations of elderly residential care home, which is the principal business of the Group; and (ii) the flexibility that Shui Jun (Yau Tong) can terminate the Tenancy Agreements unconditionally by serving not less than six months prior written notice, we concur with the Directors' view that the entering into of the Tenancy Agreements is in the ordinary and usual course of business of the Group and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Tenancy Agreements

Summarised below are the principal terms of the Tenancy Agreements for reference, please refer to the Board Letter for details.

(A) Ever Premier Tenancy Agreement

Date	14 March 2022
Parties:	(i) Ever Premier as landlord; and (ii) Shui Jun (Yau Tong) as tenant

As at the Latest Practicable Date, Ever Premier is wholly-owned by Roymark, the landlord of the Roymark Tenancy Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Property:	Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong (collectively, “ Ka Kwai Property ”)
Term:	From 1 July 2022 (or the date of fulfilment of the conditions as set out in the Board Letter, whichever is later) and expiring on 30 June 2026 (both dates inclusive). The tenant has an option to apply for renewal of the Ever Premier Tenancy Agreement at the then market rent by serving a written notice to Ever Premier within six months (but not less than three months) prior to expiry of the Ever Premier Tenancy Agreement. The tenant also has the right to terminate the Ever Premier Tenancy Agreement unconditionally by serving not less than six months prior written notice to Ever Premier.
Rent:	HK\$200,000 per month (inclusive of government rates, government rent and management fees)
Usage:	Operation of Yau Tong Elderly Home

(B) Roymark Tenancy Agreement

Date	14 March 2022
Parties:	(i) Roymark as landlord; and (ii) Shui Jun (Yau Tong) as tenant
	As at the Latest Practicable Date, Roymark owns the entire issued share capital of Ever Premier, the landlord of the Ever Premier Tenancy Agreement.
Property:	Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong (collectively, “ Ka Fat Property ”)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Term:	From 1 July 2022 (or the date of fulfilment of the conditions as set out in the Board Letter, whichever is later) and expiring on 30 June 2026 (both dates inclusive). The tenant has an option to apply for renewal of the Roymark Tenancy Agreement at the then market rent by serving a written notice to Roymark within six months (but not less than three months) prior to expiry of the Roymark Tenancy Agreement. The tenant also has the right to terminate the Roymark Tenancy Agreement unconditionally by serving not less than six months prior written notice to Roymark.
Rent:	HK\$890,000 per month (inclusive of government rates, government rent and management fees)
Usage:	Operation of Yau Tong Elderly Home

4. Assessment of the terms of the Tenancy Agreements

4.1 Rents for the Properties

As set out in the Board Letter, rents under the Tenancy Agreements were determined after arm's length negotiation between the parties to the Tenancy Agreements with reference to the prevailing market rents for comparable properties in a similar location to the Properties and the opinion as to prevailing market rents contained in the Market Rent Letter.

We understood that the Board has considered comparable transactions provided by each of the Valuer (defined as below) and the Property Agency (defined as below) to determine the market rents of the Properties. As advised by the Management, given the Valuer selected the Elderly Care Rental Comparables based on the information available to them from the Land Registry only, the Company also considered the Market References (defined as below) that are not publicly available for the purpose to have a more comprehensive view of the prevailing market rents of properties that are in the same district as the Properties.

We noted from the Board Letter that the two comparable property transactions were obtained from a property agency, namely RCHE Consultant Limited (the "**Property Agency**"), specialised in the elderly residential care home industry, and the underlying properties of both comparable transactions are locating at Ngau Tau Kok

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

district (the “**Market References**”). As advised by the Management, to the best knowledge of the Management, there are only three property agencies in Hong Kong that provide leasing and sale and purchase of residential care home for the elderly. The Property Agency has a business relationship with the Company since 2016 and records the most transactions among the three. Having considered (i) the Property Agency’s long term relationship with the Company; and (ii) to the best knowledge of the Management, the Property Agency records the most transactions of local residential care homes’ leasing and sale and purchase, we concur with the Directors’ view that the Property Agency is a representative and reliable source of information to provide the Market References.

According to the Board Letter, we noted the selection criteria of the Market References include the underlying properties (i) are being occupied for operation of classes EA1 and/or EA2 elderly residential care homes, which are at similar level of class compared to Yau Tong Elderly Home under the EBPS; (ii) are located in the same district as Yau Tong Elderly Home, i.e. Kowloon East; (iii) are with a lease term of not less than three years; and (iv) were leased out to the relevant tenants in late 2021. For our due diligence purpose, we obtained and reviewed the relevant underlying documents from the Management that are not publicly available. Based on the relevant documents and the information available on the SWD’s official website, we understood each Market Reference was leased out during fourth quarter of 2021 for the use of elderly residential care home that is located in Kowloon East district and is under similar EBPS’s classification as Yau Tong Elderly Home. Based on the above, we consider the Market References are representative.

As disclosed in the Board Letter, the approximate leasable area of each of the Market References is 12,632 sq. ft. and 12,020 sq. ft. with the respective unit rate (exclusive of the management fees and government rents and rates) of approximately HK\$59.37 per sq. ft. and approximately HK\$52.41 per sq. ft.. We noted that the unit rate of each of the Properties under the Tenancy Agreements was lower than the unit rate of the Market References but we also noted that the Market References were smaller than Yau Tong Elderly Home in size.

We understood the Board had also engaged the Valuer to provide the Market Rent Letter on the market rents of the Properties. As part of our due diligence work, we obtained and reviewed (i) the engagement letter of the Valuer with the Company; (ii) the Valuer’s qualification in relation to the preparation of the Market Rent Letter and the Valuation Report; and (iii) the track records of the Valuer on property valuations. In particular, based on the information made available to us, the professional responsible for signing off the Market Rent Letter and the Valuation Report has over 18 years’ experience in the valuation of properties. The Valuer confirmed that it is an independent third party to Shui Jun (Yau Tong), the Group, Ever Premier, Roymark and their respective connected persons as at the Latest Practicable Date. Given the aforesaid, we were satisfied with the terms of engagement of the Valuer as well as its

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

qualification and experience for preparation of the Market Rent Letter and the Valuation Report.

According to the Valuation Report and our discussion with the Valuer, we understood the appraised market rents of the Properties have been derived by direct comparison method on market basis with reference to the rents of the recent leasing of local elderly residential care home and/or disabled care centre. As advised by the Valuer, this approach rests on the wide acceptance of the market rent evidences as the best indicator and pre-supposes that evidence of relevant rent evidences in the marketplace can be extrapolated to similar properties, subject to allowances for variable factors, therefore, the direct comparison method is the generally accepted method of assessment for the monthly rent of the Properties.

During our review, we noted that the valuation on the market rent of the Properties was conducted based on the key assumptions that the Properties were leased on the open market in their existing state without the benefit or deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the appraised market rents of the Properties. The appraised market rents of the Properties are exclusive of management fee, government rates and rents and other operative outgoings. In addition, we noted from and the Valuation Report that it has been prepared in accordance with the RICS Valuation – Global Standards 2021 published by the Royal Institution of Chartered Surveyors (RICS) and HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors (HKIS). As confirmed by the Valuer, the valuation assumptions adopted for assessing the market rents of the Properties are consistent with the market practice of valuation of a leased property.

As the direct comparison method has been adopted by the Valuer, we accordingly obtained the list of comparable lease transactions of elderly residential care home and/or disabled care centre in Hong Kong identified by the Valuer principally based on the following criteria that (i) the properties were used to provide nursing services to the elderly and the disability that are of similar nature as the Properties; (ii) the properties were located in urban and extended urban district which is similar to that of the Properties; (iii) the properties were leased out within two years immediately preceding the Valuation Date; (iv) the tenancies were registered in the Land Registry; and (v) the tenancies are under lease with a term over four years. We noted the Valuer selected four comparable lease transactions (the “**Elderly Care Rental Comparables**”) under the abovementioned criteria. As confirmed by the Valuer, the Elderly Care Rental Comparables in respect of the Properties represent an exhaustive list of relevant comparables based on their best knowledge and information available.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is noted that the Valuer has relied upon EPRC Ltd. (“**EPRC**”) and the Land Registry in Hong Kong as the sources of rental information on the Elderly Care Rental Comparables. According to the official website of EPRC (<http://eprc.com.hk/index.htm>), established in 1991, EPRC is a platform integrating information of different property related transactions from the Land Registry. The transactions information provided by EPRC includes, among others, residential properties, commercial properties and private lands in Hong Kong. Since 2001, EPRC has extended its business scope to the provision of other professional services such as direct market services and customer knowledge solution services. As confirmed by the Valuer, EPRC is a well-known and popular database for property valuation in Hong Kong. As for the Land Registry in Hong Kong (<https://www.landreg.gov.hk/>), it is a government department responsible for, among others, providing facilities for search and supply of copies of the information extracted from land register and related records. In light of the foregoing, we are of the view that the sources of information on the Elderly Care Rental Comparables are reliable.

For our due diligence purpose, we obtained and reviewed relevant documents of the Elderly Care Rental Comparables from the Land Registry and noted the underlying properties of the Elderly Care Rental Comparables were leased for the use of elderly residential care home or disabled care centre (as the case may be) as at their respective transaction date. In addition, we attempted to identify any other rental statistics relating to the elderly care house released by relevant department of Hong Kong government, however, on a best-effort basis, there is no such information available to us. Given the aforesaid, we considered the list of the Elderly Care Rental Comparables is exhaustive under the aforesaid criteria adopted by the Valuer and the Elderly Care Rental Comparables are fair and representative.

We understood from the Market Rent Letter that adjustments to the unit rents of the Elderly Care Rental Comparables (the “**Adjustments**”) were made to reflect the differences in the characteristics of the tenancies and/or the underlying properties such as transaction time, floor, location, building age, headroom and size (collectively, the “**Valuation Adjustment Factors**”), as compared to those of Ka Kwai Property and Ka Fat Property, respectively. We have thereby obtained and reviewed the detailed calculation for the Market Rent Letter and the Valuation Report (the “**Calculation**”), and enquired with the Valuer regarding the rationale behind, and were given to understand that Adjustments were made in respect of (i) time of the underlying properties of the Elderly Care Rental Comparables to reflect the change in their respective market price based on the Rental and Price Indices as published by Rating and Valuation Department in Hong Kong; (ii) floors of the underlying properties of the Elderly Care Rental Comparables to reflect potential discount applied to the unit rent of properties located in higher floor because of the accessibility and loading; (iii) location of the underlying properties of the Elderly Care Rental Comparables to reflect potential discount applied to the unit rent of properties located in more remote area with relatively low accessibility and fewer facility nearby; (iv) building age of underlying properties of the Elderly Care Rental Comparables to reflect potential

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

discount applied to the unit rate of properties with higher building age in view of depreciation; (v) headroom of underlying properties of the Elderly Care Rental Comparables to reflect potential discount applied to the unit rate of properties with lower headroom; and (vi) size of the underlying properties of the Elderly Care Rental Comparables to reflect the potential discount applied to unit rate of larger properties as generally noted in the real estate market and perceived by the valuation practitioners, and vice versa. The Valuer further advised that, other than time and size adjustments, there was no adjustments regarding location, building age, headroom and floor being made given there is no material difference in these aspects of the underlying properties of each Elderly Care Rental Comparable compared to the Properties. Regarding time adjustment, we performed cross checking by making references to the Rental and Price Indices and noted the time adjustments are consistent with the Rental and Price Indices. As to size adjustment, we discussed with the Valuer and were advised that the adjustment was principally determined based on their experience, which is in line with the market practice. In addition, the Valuer has confirmed that all of the Adjustments applied conform to the market practice. Based on the above, we are of the view that (a) the rationales of the Valuation Adjustment Factors and their effects on the unit rents of the Elderly Care Rental Comparables are justifiable; and (b) the Adjustments are fair and reasonable.

In light of the above, we consider that the methodology, bases, assumptions, Adjustments and the Elderly Care Rental Comparables adopted by the Valuer to prepare the Market Rent Letter and the Valuation Report are fair and reasonable.

Set out below is the summary table of the Elderly Care Rental Comparables as referred to the Market Rent Letter:

No.	Location	Rent per leasable area under respective agreement <i>(per sq.ft.)</i>	Adjusted unit rent as compared to Ka Fat Unit Rent <i>(per sq.ft.)</i>	Adjusted unit rent as compared to Ka Kwai Unit Rent <i>(per sq.ft.)</i>
1	Jupiter Terrace, No. 18 Jupiter Street, Hong Kong	HK\$39.59	HK\$41.82	HK\$42.41
2	King's Building, Nos. 521-525 Queen's Road West, Hong Kong	HK\$38.13	HK\$39.92	HK\$40.49
3	Po Wing Building, Nos. 235/249 Yee Kuk Street, Kowloon	HK\$32.84	HK\$34.81	HK\$35.30

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Location	Rent per leasable area under respective agreement (per sq.ft.)	Adjusted unit rent as compared to Ka Fat Unit Rent (per sq.ft.)	Adjusted unit rent as compared to Ka Kwai Unit Rent (per sq.ft.)
4	Tsuen Wan Centre Shopping Arcade, No. 86 Tsuen King Circuit, Tsuen Wan, New Territories	HK\$36.69	HK\$38.74	HK\$39.29
		Minimum	HK\$34.81	HK\$35.30
		Maximum	HK\$41.82	HK\$42.41
		Ka Fat Unit Rent	42.0	
		Ka Kwai Unit Rent	42.5	

According to the Calculation and as shown in the above table, we noted the appraised monthly rental fee for Ka Fat Property is HK\$811,000 (“**Ka Fat Appraised Rent**”) with an appraised unit rent of approximately HK\$42.0 per sq. ft. (“**Ka Fat Unit Rent**”). The adjusted unit rent of Elderly Care Rental Comparables ranged from approximately HK\$34.81 per sq. ft. to approximately HK\$41.82 per sq. ft. per month.

On the other hand, the appraised monthly rental fee for Ka Kwai Property is HK\$179,000 (“**Ka Kwai Appraised Rent**”) with an appraised unit rent of approximately HK\$42.5 per sq. ft. (“**Ka Kwai Unit Rent**”). The adjusted unit rent of Elderly Care Rental Comparables ranged from approximately HK\$35.30 per sq. ft. to approximately HK\$42.41 per sq. ft. per month.

We understood the adjusted unit rents of Elderly Care Rental Comparables are lower than the unit rents of the Market References. Nevertheless, after taking into account (i) the similarity of criteria adopted to selecting the Market References and the Elderly Care Rental Comparables; (ii) the Market References’ geographic factor and their relatively close leased-out time representing the unit rents of the Market References as an indicator to the current market value of the Properties; (iii) the exhaustiveness of the list of the Elderly Care Rental Comparables based on the Valuer’s best knowledge and information available; and (iv) appropriate Adjustments having been made to the unit rents of the Elderly Care Rental Comparables account for dissimilar time, geographic and/or other factors in comparison to the Properties, we considered both the Market References and the Elderly Care Rental Comparables are representative.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted each of the Ka Fat Unit Rent of HK\$42.0 and the Ka Kwai Unit Rent of HK\$42.5 is slightly higher than their respective range of the Elderly Care Rental Comparables, nevertheless, is almost equivalent to their Elderly Care Rental Comparables' high-end value of HK\$41.82 and HK\$42.41 respectively. In addition, as advised by the Management, the Company has prepared a relocation plan and has been considering potential relocation of Yau Tong Elderly Home to other properties, nevertheless, it is believed that the Group has to spend considerable time on finding suitable properties and it would be better to maintain Yau Tong Elderly Home's operation at existing location prior to adoption of either relocation or disposal plan. Further, we understood from the Board Letter that the Ka Fat Unit Rent and the Ka Kwai Unit Rent fall within the range of the Market References and the Elderly Care Rental Comparables as a whole if inclusive of the Market References due to the similar geographic factor. Based on all of the above, we are of the view that the Ka Fat Unit Rent and the Ka Kwai Unit Rent are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered (i) the solid experience of the Valuer in performing valuation of properties; (ii) the appropriateness of adopting direct comparison method to prepare the appraised market rents of the Properties; (iii) the fairness and reasonableness of the Adjustments applied in the preparation for the Market Rent Letter and the Valuation Report; (iv) the list of Elderly Care Rental Comparables, representing all of the lease of properties intending to be used as elderly residential care home and/or disabled care centre in Hong Kong within 2 years from the Valuation Date, is exhaustive to the best knowledge of the Valuer; (v) no other statistics relating to elderly residential care home released by the relevant department of Hong Kong government is available to us to our best effort; and (vi) the Ka Fat Unit Rent and the Ka Kwai Unit Rent are almost equivalent to the ranges of the Elderly Care Rental Comparables, we are of the view that the Ka Fat Appraised Rent of HK\$811,000 and the Ka Kwai Appraised Rent of HK\$179,000 are fair and reasonable.

We understood the Ka Fat Appraised Rent of HK\$811,000 and the Ka Kwai Appraised Rent of HK\$179,000 are exclusive of the management fee and government rents and rates, while the monthly rents under Tenancy Agreements are inclusive of aforesaid expense. As advised by the Management, the aggregate monthly payable amount of management fees and rates and government under the Tenancy Agreements for each of the Ka Fat Property and the Ka Kwai Property is approximately HK\$70,000 and approximately HK\$17,000, which is determined with reference to the historical transaction amounts and the Rates and Government Rents issued by the Rating and Valuation Department of Hong Kong. Upon being inclusive of the aforesaid management fees and rates and government rents, the monthly rents under the Tenancy Agreements are approximately equivalent to the Ka Fat Appraised Rent and the Ka Kwai Appraised Rent, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, according to the Market Rent Letter and the Valuation Report, the Valuer is opined that the monthly rents for the Ka Fat Property and the Ka Kwai Property under the Tenancy Agreements are fair and in line with the market rent.

Taking into account all the aforesaid factors, we consider the rents of the Properties under the Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.2 Lease period

Pursuant to Rule 20.50 of the GEM Listing Rule, the period for the agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. With reference to the Board Letter, we noted that the duration of each of the Tenancy Agreements exceeds three years. As advised by the Management, the lease term for each of the Tenancy Agreements was determined with reference to, among others, (i) the renewal term of the license of Yau Tong Elderly Home of two-year; (ii) the market practice for the lease of elderly residential care homes; and (iii) the sustainability and stability required in the operation of elderly residential care homes.

As stated in the section headed “2. Reasons for and benefits of entering into the Tenancy Agreements” in this letter, we searched the validity period of the license of Yau Tong Elderly Home on the SWD Elderly Information Website and understood the validity periods of its current and previous licenses are two-year, therefore, we considered the lease term of four-year under each of the Tenancy Agreements is justifiable. In addition, based on the documents of each Elderly Care Rental Comparables available to us, we noted that the lease periods of the Elderly Care Rental Comparables range from four years to nine years, and the duration of the Tenancy Agreements of four years is within the range of the Elderly Care Rental Comparables. Further, the lease term of the Tenancy Agreements aligns with the sustainability and stability required for the operation of elderly residential care homes. Therefore, we consider it is justifiable for the Tenancy Agreements to have a longer period.

Taking into account the abovementioned factors, we are of the view that the Tenancy Agreements require a longer period and the lease period of each of the Tenancy Agreements is normal business practice for agreements of this type to be of such duration.

4.3 Our view

Having considered (i) the fairness and reasonableness of the Ka Fat Appraised Rent and the Ka Kwai Appraised Rent; (ii) upon being inclusive of the management fees, rates and government rents, the monthly rents for the Properties being approximate to the Ka Fat Appraised Rent and the Ka Kwai Appraised Rent; (iii) the management fees, rates and the government rents payable under the Tenancy Agreements being referred to historical actual amounts; (iv) the Valuer's confirmation on fairness of the monthly rents under the Tenancy Agreements; and (v) the normal business practice to have longer period for the Tenancy Agreements as stated above, we are of the view that the terms of the Tenancy Agreements (including the monthly rents and the lease term of the Properties) are fair and reasonable so far as the Independent Shareholders are concerned.

5. Possible financial effect as result of entering into the Tenancy Agreements

Assets and liabilities

Pursuant to the HKFRS 16, the entering into of the Tenancy Agreements as a lessee will require the Group to recognise the right-of-use assets in its consolidated statement of financial position. The aggregate value of the right-of-use assets to be recognised by the Group under the Tenancy Agreements is expected to be approximately HK\$47.8 million, which is calculated with reference to the aggregated rental payments and discounted by a discounted rate. Accordingly, the entering into of the Tenancy Agreements will enlarge the size of the assets and liabilities of the Group.

Profit or loss

Pursuant to the HKFRS 16, the Group shall recognise (i) depreciation expense over the life of the right-of-use asset, and (ii) interest expenses amortised from the lease liability over the term of the Tenancy Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Tenancy Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Tenancy Agreements and we recommend the Independent Shareholders to vote in favour of the ordinary resolution in this regard.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Jeannie Chan
Director

Ms. Jeannie Chan is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

The particulars of the Directors proposed for re-election at the AGM are set out as follows:

1. **Mr. Chung Kin Man** (鍾建民先生) (“**Mr. Chung**”), aged 58, was appointed as an executive Director and the compliance officer of the Company on 7 February 2017. Mr. Chung also serves as a director of the Group companies, namely, Shui On Nursing Centre (Shun On) Company Limited (“**Shui On (Shun On)**”) and Shui On Nursing Home Holdings Limited (“**Shui On Holdings (HK)**”). Mr. Chung is currently responsible for human resource management, staff training and daily operation of the Group. He also assists Mr. Yik Tak Chi in affairs such as corporate strategic planning and business development of the Group.

Mr. Chung obtained a degree of Bachelor of Technology (Computer Technology) from La Trobe University in Australia in May 1999, a degree of Master of Information Technology from Monash University in Australia in November 2001, and a degree of Associate of Social Science in Social Work from The City University of Hong Kong in July 2009. Mr. Chung also completed the Health Worker Training Course from Management Society for Healthcare Professionals in Hong Kong in 2003 and has been registered as a health worker by the SWD since October 2003. He has also been a social worker registered with the Social Workers Registration Board in Hong Kong since October 2009.

Mr. Chung has over 18 years of work experience in elderly residential care homes. Prior to joining the Group, Mr. Chung worked as a health worker in other elderly residential care homes, and primarily assisted the nurses and physiotherapists in taking care of the elderly residents and handling administrative duties. Mr. Chung first joined the Group as the director of Shui On (Shun On) in March 2006 and became the home manager of Shui On (Shun On) in September 2007. He was responsible for the daily management and operation of Shui On (Shun On). From June 2011 to April 2019, Mr. Chung was further appointed as the director of Shui Hing and was responsible for staff training and daily operation of the Group in view of the Group’s expansion.

Mr. Chung is the brother-in-law of Mr. Yik Tak Chi, an executive Director and the Chairman, and is the brother of Ms. Chung Wai Man, an executive Director.

As at the Latest Practicable Date, Mr. Chung was interested in approximately 4.93% of the issued share capital of Lucky Expert Investments Limited, which is an associated corporation of the Company.

Save as disclosed above, Mr. Chung: (i) does not hold any other major appointment or professional qualifications; (ii) does not have any relationship with any Directors, senior management, Substantial Shareholders or Controlling Shareholders of the Company; (iii) does not hold any other positions in the Group; (iv) has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (v) does not have any other interests within the meaning of Part XV of the SFO.

Mr. Chung has entered into a service contract with the Company for an initial fixed term of three years commencing from 7 February 2017 renewable automatically until terminated by not less than three months' notice in writing served by either party on the other at the end of the initial term or any time thereafter or Mr. Chung has not been re-elected as a Director at any general meeting of the Company. Mr. Chung is subject to retirement by rotation and re-election at the AGM in accordance with the Articles. The current director's fee payable to Mr. Chung is HK\$180,000 per year and shall be reviewed by the Remuneration Committee annually. The remuneration package of Mr. Chung is determined by reference to his experiences, qualifications, duties and responsibilities with the Group and the prevailing market benchmark.

Save as disclosed above, there is no other information relating to the re-election of Mr. Chung as a Director that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules nor any matters that need to be brought to the attention of the Shareholders.

2. **Ms. Chung Wai Man (鍾慧敏女士) (“Ms. Chung”)**, aged 56, was appointed as an executive Director on 7 February 2017. Ms. Chung also serves as a director of medical service of Shui On (Shun On). Ms. Chung is currently responsible for making healthcare policies, procedures, training programs for the medical staff at all levels in the Group, and also responsible for allocating, distributing and supervising the medical and nursing work, and evaluating the work efficiency from time to time. She also assists Mr. Yik Tak Chi in recruiting, supervising and managing the medical staff at all levels in the Group.

Ms. Chung obtained a degree of Bachelor of Nursing from The University of Newcastle in Australia in April 1996 and a Post-Experience Diploma in Nursing Management from The Hong Kong Polytechnic University in November 1998. She has been a registered nurse registered with the Nursing Council of Hong Kong since December 1990. Ms. Chung has over 30 years of experience as a registered nurse in Hong Kong in geriatrics and rehabilitation and extended care. Ms. Chung received nursing training in Kwong Wah Hospital from 1987 to 1990, and was employed as a registered nurse in Geriatrics of Caritas Medical Centre from 1991 to 1993. She then worked in the Department of Rehabilitation and Extended Care in Tung Wah Group of Hospitals Wong Tai Sin Hospital from 1996 to 2006. Ms. Chung was subsequently employed as a registered nurse in Shui On Nursing Centre (Shatin) Limited. She joined the Group as a director of Shui On Nursing Centre (Hing Wah) Company Limited (“**Shui On (Hing Wah)**”) in November 2007.

Ms. Chung is the sister-in-law of Mr. Yik Tak Chi, an executive Director and the Chairman, and is the sister of Mr. Chung, an executive Director.

As at the Latest Practicable Date, Ms. Chung was interested in approximately 6.02% of the issued share capital of Lucky Export Investments Limited, which is an associated corporation of the Company.

Save as disclosed above, Ms. Chung: (i) does not hold any other major appointment or professional qualifications; (ii) does not have any relationship with any Directors, senior management, Substantial Shareholders or Controlling Shareholders of the Company; (iii) does not hold any other positions in the Group; (iv) has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (v) does not have any other interests within the meaning of Part XV of the SFO.

Ms. Chung has entered into a service contract with the Company for an initial fixed term of three years commencing from 7 February 2017 renewable automatically until terminated by not less than three months’ notice in writing served by either party on the other at the end of the initial term or any time thereafter or Ms. Chung has not been re-elected as a Director at any general meeting of the Company. Ms. Chung is subject to retirement by rotation and re-election at the AGM in accordance with the Articles. The current director’s fee payable to Ms. Chung is HK\$180,000 per year and shall be reviewed by the Remuneration Committee annually. The remuneration package of Ms. Chung is determined by reference to her experiences, qualifications, duties and responsibilities with the Group and the prevailing market benchmark.

Save as disclosed above, there is no other information relating to the re-election of Ms. Chung as a Director that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules nor any matters that need to be brought to the attention of the Shareholders.

3. **Mr. Wong Wai Ho (黃偉豪先生) (“Mr. Wong”)**, aged 72, joined the Group and was appointed as an independent nonexecutive Director on 21 June 2017. He is also a member of the Audit Committee and the Nomination Committee.

Mr. Wong obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in October 1971 and a degree of Master of Law from Renmin University of China (中國人民大學) in June 2004.

Mr. Wong has served as an independent non-executive director since 2014 as well as a member of the audit committee and nomination committee of Road King Infrastructure Limited (路勁基建有限公司) since 2015, a company whose shares are listed on the Main Board (stock code: 1098). Mr. Wong was an executive director of Proactive Technology Holdings Limited (currently known as Chinese Strategic Holdings Limited 華人策略控股有限公司) from 2000 to 2006, a company whose shares are listed on GEM (stock code: 8089).

Mr. Wong has also been actively involved and participated in the public services. He was a director of executive committee of The Canadian Chamber of Commerce in Hong Kong (香港加拿大商會) from 2013 to 2016. He was also a member of the board of trustees of Chung Chi College (崇基學院) in The Chinese University of Hong Kong, and he worked for Hong Kong Trade Development Council (香港貿易發展局) from 1976 to 1987 and from 1989 to 1992. As a director of Canada of the Hong Kong Trade Development Council, Mr. Wong provided secretarial supporting services to Hong Kong Canada Business Association (港加商會) from 1989 to 1992.

Save as disclosed above, Mr. Wong: (i) does not hold any other major appointment or professional qualifications; (ii) does not have any relationship with any Directors, senior management, Substantial Shareholders or Controlling Shareholders of the Company; (iii) does not hold any other positions in the Group; (iv) has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (v) does not have any other interests within the meaning of Part XV of the SFO.

Mr. Wong has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 21 June 2017, and provided that either party can at any time terminate the appointment by giving the other party not less than three months' prior notice in writing. Mr. Wong is subject to retirement by rotation and re-election at the AGM in accordance with the Articles. The current director's fee payable to Mr. Wong is HK\$180,000 per annum and shall be reviewed by the Remuneration Committee annually. The remuneration package of Mr. Wong is determined by reference to his duty, qualification and experience and the prevailing market benchmark.

The Board has considered enhancement to its diversity in aspects including, without limitation, gender, age, skills, knowledge, educational background and professional experience when appointing or re-electing an independent non-executive Director. Considering that (i) Mr. Wong possesses extensive experience in corporate and financial management work; (ii) Mr. Wong has devoted sufficient time and effort for the proper discharge of his duties as an independent non-executive Director over the past year; (iii) Mr. Wong has only served as an independent non-executive Director for five years; and (iv) Mr. Wong has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules, the Board is of the view that Mr. Wong is independent, can bring further contributions to the Board and the Company and enhance diversity of the Board.

Save as disclosed above, there is no other information relating to the re-election of Mr. Wong as a Director that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules nor any matters that need to be brought to the attention of the Shareholders.

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

This explanatory statement, as required under the GEM Listing Rules, serves to provide the Shareholders with information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate at the AGM.

1. SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares in issue was 400,000,000. Subject to the passing of the resolution approving the Repurchase Mandate and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company would be authorised to repurchase up to a maximum of 40,000,000 Shares, representing 10% of the total number of issued Shares as at the date of AGM.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares on the market. Such repurchase may, depending on market conditions and funding arrangement at the time, result in enhancement of the net assets value of the Company and/or its earnings per Share and will only be made when the Directors consider that such repurchase will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASE

Any repurchase will only be made out of funds which are legally available for such purpose in accordance with the Memorandum and the Articles, the Cayman Islands law and the GEM Listing Rules.

As compared with the financial position disclosed in the latest published audited financial statements of the Company as at 31 December 2021 there might have adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate was to be exercised in full. However, the Directors do not propose to make any repurchase to the extent that would have a material adverse effect on the working capital or gearing level of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. EFFECT OF THE TAKEOVERS CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of repurchase of Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's voting right at the time, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

As at the Latest Practicable Date and so far as was known to the Directors or chief executive of the Company, the following parties had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company if the Repurchase Mandate is exercised in full
Mr. Yik Tak Chi ("Mr Yik")	(i) Interest of controlled corporation <i>(Note 1)</i>	258,996,000	64.75%	71.94%
	(ii) Beneficial owner <i>(Note 1)</i>			
Multifield Investment Development Limited ("Multifield")	(i) Interest in controlled corporation <i>(Note 1)</i>	258,996,000	64.75%	71.94%
	(ii) Interest held jointly with other person <i>(Note 2)</i>			
Hang Chi Development & Investment Limited ("HCDI")	(i) Interest in controlled corporation <i>(Note 1)</i>	258,996,000	64.75%	71.94%
	(ii) Interest held jointly with other person <i>(Note 2)</i>			
Ms. Yik Wai Hang	Interest held jointly with other person <i>(Note 2)</i>	258,996,000	64.75%	71.94%

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company if the Repurchase Mandate is exercised in full
Ms. Chung Shuk Man	Interest of spouse ^(Note 3)	258,996,000	64.75%	71.94%
Shui Wah Limited ("Shui Wah")	Beneficial owner ^(Note 1)	248,700,000	62.18%	69.08%
Lucky Expert Investments Limited ("Lucky Expert")	Interest in controlled corporation ^(Note 1)	248,700,000	62.18%	69.08%
Mr. Lui Chi Tat ("Mr. Lui")	(i) Interest of controlled corporation ^(Note 4)	36,032,000	9.01%	10.01%
	(ii) Beneficial owner ^(Note 4)			
	(iii) Interest of spouse ^(Note 4)			
Yingfeng International Investment Limited ("Yingfeng International")	Beneficial owner ^(Notes 5 and 6)	32,000,000	8.00%	8.89%
Ruipei Investment (Shanghai) Co., Ltd.* (芮沛投資(上海)有限 公司) ("Ruipei")	Interest in controlled corporation ^(Notes 5 and 6)	32,000,000	8.00%	8.89%
Zhongchuang Investment (Holdings) Limited ("Zhongchuang")	Interest in controlled corporation ^(Notes 5 and 6)	32,000,000	8.00%	8.89%

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company if the Repurchase Mandate is exercised in full
China Minsheng Futurelife Holding Group Co., Ltd.* (中民 未來控股集團有限公司) ("CMIG Futurelife")	Interest in controlled corporation <i>(Notes 5 and 6)</i>	32,000,000	8.00%	8.89%
China Minsheng Investment Group Co., Ltd.* (中國民生投資股 份有限公司) ("CMIG")	Interest in controlled corporation <i>(Notes 5 and 6)</i>	32,000,000	8.00%	8.89%

Notes:

- As at the Latest Practicable Date, Mr. Yik was interested in 258,996,000 Shares, of which 248,700,000 Shares were held by Shui Wah and 10,296,000 Shares were directly held by him. Shui Wah is wholly owned by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of HCDI through Multifield. By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert, and all the Shares held by Shui Wah.
- On 13 December 2016, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang entered into an acting in concert agreement (the "Acting In Concert Agreement") to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in The Codes on Takeovers and Mergers and Share Buy-backs) in respect of each of the members of the Group from the date of which both Mr. Yik and Ms. Yik Wai Hang became the shareholders of Shui On Nursing Home Holdings Limited (i.e. 31 July 2013) and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement. As such, they are deemed to be interested in the Shares held by the others.

As disclosed above, as at the Latest Practicable Date, Mr. Yik was interested in 258,996,000 Shares. Accordingly, by virtue of the Acting in Concert Agreement, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang were controlling approximately 64.75% the issued share capital of the Company.

- Ms. Chung Shuk Man is the spouse of Mr. Yik. By virtue of the SFO, Ms. Chung Shuk Man is deemed to be interested in all the Shares in which Mr. Yik is interested.

APPENDIX II EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

4. As at the Latest Practicable Date, Mr. Lui was interested in 36,032,000 Shares, of which 15,300,000 Shares were held by Jumbo Sino, a company incorporated in Hong Kong and wholly owned by Mr. Lui, 20,720,000 Shares were directly held by him and 12,000 Shares were directly held by his spouse. By virtue of the SFO, Mr. Lui is deemed to be interested in all the Shares held by Jumbo Sino and his spouse.
5. On 21 June 2017, Yingfeng International, as cornerstone investor, entered into a cornerstone investment agreement with the Company, pursuant to which Yingfeng International subscribed for a total number of 32,000,000 Shares.
6. Yingfeng International is a company incorporated under the laws of BVI. To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, Yingfeng International is wholly-owned by Zhongchuang, a company incorporated in Hong Kong. Zhongchuang is wholly owned by Ruipei, which is in turn wholly owned by CMIG Futurelife. CMIG Futurelife is held as to 67% by CMIG, which is owned as to 30% by BGBIC and 70% by other corporate entities each holding less than 10%. Each of Zhongchuang, Ruipei, CMIG Futurelife and CMIG is established under the laws of the People's Republic of China.

In the event that the Directors fully exercise the proposed Repurchase Mandate, the total interests of Mr. Yik, Multifield, HCDI, Lucky Expert, Shui Wah, Ms. Yik Wai Hang and Ms. Chung Shuk Man, being the Controlling Shareholders, would be increased to approximately the percentages shown in the last column of the above table and such increase will not give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code and will not reduce the number of Shares held by the public to be less than 25% of the total number of issued Shares.

The Directors do not intend to exercise the power to repurchase Shares to an extent which would render any Shareholder or group of Shareholders obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Repurchase Mandate to such an extent that will result in a public shareholding of less than the minimum public float requirement of 25% of the total number of issued share capital of the Company as required by the GEM Listing Rules.

5. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any Share (whether on the Stock Exchange or otherwise) during the previous six (6) months proceeding to the Latest Practicable Date.

6. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2021		
May	1.0800	0.9000
June	1.0200	0.9200
July	0.9900	0.8600
August	0.9300	0.7800
September	0.8400	0.8000
October	1.2000	0.8200
November	1.0800	0.9000
December	0.9900	0.8600
2022		
January	0.9000	0.8600
February	0.9500	0.8700
March	0.8800	0.8800
April	0.9000	0.8500
May (up to the Latest Practicable Date)	0.9500	0.8500

GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their respective close associates have any present intention to sell any of the Shares to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate and in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No core connected persons (as defined in the GEM Listing Rules) of the Company has notified the Company that they have a present intention to sell any Share to the Company, or have undertaken to the Company not to do so, in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

The following is the text of a market rent letter prepared for the purpose of incorporation in this circular, received from the independent valuer, Royson Valuation Advisory Limited.



Royson Valuation Advisory Limited
Unit 1503, 15/F, The L. Plaza
367–375 Queen’s Road Central
Hong Kong

26 May 2022

The Directors
Hang Chi Holdings Limited
Unit 09, 7/F., FTLife Tower
No. 18 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

Dear Sirs,

**COMMENT ON THE MARKET RENT OF THE TENANCY AGREEMENTS
OF UNIT NO. G67 ON GROUND FLOOR & UNIT B ON 1ST FLOOR KA
FAT ARCADE AND SHOP NOS.101–105, 127–142, 158–165 ON 1ST FLOOR
OF KA KWAI ARCADE, YAU TONG CENTRE, KOWLOON,
HONG KONG (THE “PROPERTIES”)**

We refer to your specific instructions for us to advise on the tenancy agreements in respect of the properties set out in Appendix I (the “**Tenancy Agreements**”) to this letter which will constitute discloseable and connected transactions (as defined in the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited) of Hang Chi Holdings Limited and its subsidiaries (the “**Group**”).

We hereby confirm that we have carried out inspections, made relevant enquiries and researches as we consider necessary for the purpose of providing you with our opinion that:

The rentals payable by the Group under the Tenancy Agreements are fair and reasonable, and comparable to the prevailing market rents for similar premises in similar location as at the current date.

Yours faithfully
For and behalf of
Royson Valuation Advisory Limited

Lawrence Chan Ka Wah
MRICS, MHKIS, RPS (GP) MHIREA MCIREA
RICS Registered Valuer
Director

Mr. Lawrence K.W. Chan is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors, Registered Professional Surveyors in the General Practice Section, a member of China Institute of Real Estate and Agents and a RICS Registered Valuer who has over 18 years’ experience in the valuation of Property in Hong Kong, Macau, the People’s Republic of China and the Asia Pacific Region.

Appendix I – Properties under the Tenancy Agreements

Addresses	Lease Terms	Monthly Rental <i>(inclusive of management fee, rates and government rent but exclusive of other operating outgoings)</i>	Approximate Lettable Area <i>(sq.ft.)</i>
Unit No. G67 on Ground Floor and Unit B on 1st Floor, Ka Fat Arcade (Blocks. T7, T8 & T9), Yau Tong Centre, Nos. 3/7 Ka Wing Street, Kowloon, Hong Kong	4-year lease term from 1 July 2022 to 30 June 2026	HK\$890,000	19,317
Shop Nos.101–105, 127–142, 158–165 on 1st Floor and portion of common area, Ka Kwai Arcade (Blocks. T5, & T6), Yau Tong Centre, Nos. 9/11 Ka Wing Street, Kowloon, Hong Kong	4-year lease term from 1 July 2022 to 30 June 2026	HK\$200,000	4,201

Appendix II – Comparable Adjustment Table of Unit No. G67 on Ground Floor and Unit B on 1st Floor, Ka Fat Arcade (Blocks. T7, T8 & T9), Yau Tong Centre, Nos. 3/7 Ka Wing Street, Kowloon, Hong Kong

Comparable	1	2	3	4
Property Address	Jupiter Terrace, No. 18 Jupiter Street, Hong Kong	King's Building, Nos. 521-525 Queen's Road West, Hong Kong	Po Wing Building, Nos. 235/249 Yee Kuk Street, Kowloon	Tsuen Wan Centre Shopping Arcade, No. 86 Tsuen King Circuit, Tsuen Wan, New Territories
Usage	Shop	Shop	Shop	Shop
Floor	1/F and 2/F	G/F and M/F	G/F, 1/F and 2/F	G/F
Transaction Date	April 2021	November 2020	July 2020	November 2020
Approximate Effective Lettable Area (sq.ft.)	12,628	7,605	21,922	16,353
Monthly Rent (Exclusive of Management fee, government rent and rates)	500,000	290,000	720,000	600,000
Unit Rent (HKD/sq.ft.)	39.59	38.13	32.84	36.69
Adjustment Factor:				
Time	Inferior to subject property	Inferior to subject property	Inferior to subject property	Inferior to subject property
Floor	Similar to subject property	Similar to subject property	Similar to subject property	Similar to subject property
Location	Similar to subject Property	Similar to subject Property	Similar to subject Property	Similar to subject Property
Building Age	Similar to subject Property	Similar to subject Property	Similar to subject Property	Similar to subject Property
Headroom	Similar to subject Property	Similar to subject Property	Similar to subject Property	Similar to subject Property

Comparable	1	2	3	4
Size	Superior to subject property	Superior to subject property	Inferior to subject property	Superior to subject property
Total Adjustment	5.6%	4.7%	6.0%	5.6%
Adjusted Unit Rent (HKD/sq.ft.)	41.82	39.92	34.81	38.74

Appendix III – Comparable Adjustment Table of Shop Nos. 101–105, 127–142, 158–165 on 1st Floor and portion of common area, Ka Kwai Arcade (Blocks. T5, & T6), Yau Tong Centre, Nos. 9/11 Ka Wing Street, Kowloon, Hong Kong

Comparable	1	2	3	4
Property Address	Jupiter Terrace, No. 18 Jupiter Street, Hong Kong	King's Building, Nos. 521–525 Queen's Road West, Hong Kong	Po Wing Building, Nos. 235/249 Yee Kuk Street, Kowloon	Tsuen Wan Centre Shopping Arcade, No. 86 Tsuen King Circuit, Tsuen Wan, New Territories
Usage	Shop	Shop	Shop	Shop
Floor	1/F and 2/F	G/F and M/F	G/F, 1/F and 2/F	G/F
Transaction Date	April 2021	November 2020	July 2020	November 2020
Approximate Effective Lettable Area (sq.ft.)	12,628	7,605	21,922	16,353
Monthly Rent (Exclusive of Management fee, government rent and rates)	500,000	290,000	720,000	600,000
Unit Rent (HKD/sq.ft.)	39.59	38.13	32.84	36.69

Adjustment Factor:

Time	Inferior to subject property			
Floor	Similar to subject property			

Comparable	1	2	3	4
Location	Similar to subject Property			
Building Age	Similar to subject Property			
Headroom	Similar to subject Property			
Size	Inferior to subject property			
Total Adjustment	7.1%	6.2%	7.5%	7.1%
Adjusted Unit Rent (HKD/sq.ft.)	42.41	40.49	35.30	39.29

Adjustments Factors Analysis:

Adjustments are made to reflect the difference in various aspects between the Subject Property and selected comparables.

Time Adjustment – Time adjustment has made with reference to rental index published by the Rating and Valuation Department.

Floor level – In general, retail premises on lower floor level has higher value and vice versa.

Location – Location adjustment is referring to the accessibility and facilities nearby.

Building age – In general, building age is immaterial on the rent or price of retail property.

Headroom – In general, unit rates of retail property with higher than normal headroom (i.e. exceed 5m) is higher and vice versa (i.e. less than 2.5m).

Size – Unit rent of property with smaller saleable area is generally higher, vice versa.

Comparables Selection Criteria: In the course of our valuation, we have selected the comparables based on the following criteria:

1. Transacted within 2 years from the Valuation Date;
2. Located in urban and extended urban districts;
3. Elderly care or related industries;
4. Registered in the Land Registry; and
5. The term of the tenancy is over 4 years.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors and chief executives

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were 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 taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director/ chief executive	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding <i>(Note 1)</i>
Mr. Yik	(i) Interest of controlled corporation ^{<i>(Note 2)</i>}	258,996,000	64.75%
	(ii) Beneficial owner <i>(Note 2)</i>		

Name of Director/ chief executive	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding <i>(Note 1)</i>
Mr. Lui	(i) Interest of controlled corporation ^{<i>(Note 3)</i>}	36,032,000	9.01%
	(ii) Beneficial owner <i>(Note 3)</i>		
	(iii) Interest of spouse <i>(Note 3)</i>		
Mr. Chung Kin Man (“ Mr. Chung ”)	Beneficial owner	40,000	0.01%
Ms. Chung Wai Man (“ Ms. Chung ”)	Beneficial owner	20,000	0.005%

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Mr. Yik was interested in 258,996,000 Shares, of which 248,700,000 Shares were held by Shui Wah and 10,296,000 Shares were directly held by him. Shui Wah was wholly owned by Lucky Expert Investment Limited (“**Lucky Expert**”), which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield Investment Development Limited (“**Multifield**”). By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert, and all the Shares held by Shui Wah. Mr. Yik is the sole director of Shui Wah, Lucky Expert, HCDI and Multifield.
3. As at the Latest Practicable Date, Mr. Lui was interested in 36,032,000 Shares, of which 15,300,000 Shares were held by Jumbo Sino, a company incorporated in Hong Kong and wholly owned by Mr. Lui, 20,720,000 Shares were directly held by him and 12,000 Shares were held by his spouse. By virtue of the SFO, Mr. Lui is deemed to be interested in all the Shares held by Jumbo Sino and his spouse. Mr. Lui is the sole director of Jumbo Sino.

Long positions in the ordinary shares of associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interests	Number of shares held/ interested in	Percentage of shareholding (Note 1)
Mr. Yik	Multifield	Beneficial owner <i>(Note)</i>	1	100.00%
	HCDI	Interest of controlled corporation <i>(Note)</i>	20,000	100.00%
	Lucky Expert	Interest of controlled corporation <i>(Note)</i>	5,988	59.88%
	Shui Wah	Interest of controlled corporation <i>(Note)</i>	10,000	100%
Mr. Chung	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung	Lucky Expert	Beneficial owner	602	6.02%
Mr. Lui	Jumbo Sino	Beneficial owner	3	100.00%

Note: The Company is owned as to approximately 62.18% by Shui Wah. Shui Wah is wholly owned by Lucky Expert, which is in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owns the entire issued share capital of HCDI through Multifield. By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert and all the Shares held by Shui Wah; and Multifield, HCDI, Lucky Expert and Shui Wah are associated corporations of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or otherwise to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

(b) Interest of substantial Shareholders

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

Long positions in the Shares

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding <i>(Note 1)</i>
Shui Wah	Beneficial owner <i>(Note 2)</i>	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation <i>(Note 2)</i>	248,700,000	62.18%
Multifield	(i) Interest in controlled corporation <i>(Note 2)</i>	258,996,000	64.75%
	(ii) Interest held jointly with other person <i>(Note 3)</i>		
HCDI	(i) Interest in controlled corporation <i>(Note 2)</i>	258,996,000	64.75%
	(ii) Interest held jointly with other person <i>(Note 3)</i>		
Ms. WH Yik	Interest held jointly with other person <i>(Note 3)</i>	258,996,000	64.75%
Ms. Chung Shuk Man	Interest of spouse <i>(Note 4)</i>	258,996,000	64.75%

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding (Note 1)
Yingfeng International Investment Limited (盈豐國際投資有限公司) (“ Yingfeng International ”)	Beneficial owner (Note 5 & 6)	32,000,000	8.00%
Rupei Industrial (Shanghai) Co., Ltd.* (芮沛實業(上海)有限公司) (“ Rupei ”)	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
Zhongchuang Investment (Holdings) Limited (眾創投資(控股)有限公司) (“ Zhongchuang ”)	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
China Minsheng Futurelife Holding Group Co., Ltd.* (中民未來控股集團有限公司) (“ CMIG Futurelife ”)	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
China Minsheng Investment Group Co., Ltd.* (中國民生投資股份有限公司) (“ CMIG ”)	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%

* For identification purposes only

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Shui Wah held 248,700,000 Shares. Shui Wah was wholly owned by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, HCDI and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.

3. On 13 December 2016, Mr. Yik, Multifield, HCDI and Ms. WH Yik entered into an acting in concert agreement (the “**Acting In Concert Agreement**”) to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in The Codes on Takeovers and Mergers and Share Buy-backs) in respect of each of the members of the Group from the date of which both Mr. Yik and Ms. WH Yik became the shareholders of Shui On Nursing Home Holdings Limited (i.e. 31 July 2013) and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement. As such, they are deemed to be interested in the Shares held by the others.

As disclosed above, as at the Latest Practicable Date, Mr. Yik was interested in 258,996,000 Shares. Accordingly, by virtue of the Acting in Concert Agreement, Mr. Yik, Multifield, HCDI and Ms. WH Yik together controlled approximately 64.75% of the issued share capital of the Company.

4. Ms. Chung Shuk Man is the spouse of Mr. Yik. By virtue of the SFO, Ms. Chung Shuk Man is deemed to be interested in all the Shares in which Mr. Yik is interested.
5. As disclosed in the Prospectus, on 21 June 2017, Yingfeng International, as cornerstone investor, entered into a cornerstone investment agreement with, among others, the Company, pursuant to which Yingfeng International subscribed for a total number of 32,000,000 Shares.
6. Yingfeng International is a company incorporated under the laws of British Virgin Islands. To the best of the Director’s knowledge, information and belief, after making all reasonable enquiries, Yingfeng International is wholly-owned by Zhongchuang, a company incorporated in Hong Kong. Zhongchuang is wholly owned by Ruipei, which is in turn wholly owned by CMIG Futurelife. CMIG Futurelife is held as to 65% by CMIG and 35% by an independent third party. Each of Ruipei, CMIG Futurelife and CMIG is established under the laws of the PRC.

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

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

5. INTEREST OF DIRECTORS OR PROPOSED DIRECTORS OR EXPERTS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP

Since the date to which the latest published audited accounts of the Company were made up (i.e. 31 December 2021) until the Latest Practicable Date, none of the Directors or proposed Directors or experts (as listed out in paragraph 9 below) had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Group.

6. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP

On 10 June 2021, Shui Jun (Yau Tong), as tenant, entered into the following tenancy agreements for the operation of the elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) (collectively, the “2021 Tenancy Agreements”):

- (a) a tenancy agreement with Ever Premier, as landlord, in relation to the property located at Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong from 1 July 2021 to 30 June 2022 at the monthly rental of HK\$150,000; and
- (b) a tenancy agreement with Roymark, as landlord, in relation to the property located at Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong from 1 July 2021 to 30 June 2022 at the monthly rental of HK\$620,000.

By virtue of the relationship among Roymark, Ever Premier, Mr. Yik, Ms. WH Yik and Mr. Lui as disclosed in the paragraph headed “Letter from the Board – V. Discloseable and Connected Transactions – Tenancy Agreements - Implications under the GEM Listing Rules” of this circular, the transactions contemplated under the 2021 Tenancy Agreements constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Details of the 2021 Tenancy Agreements are set out in the announcements of the Company dated 10 June 2021 and 15 June 2021.

Save as the 2021 Tenancy Agreements, as at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERTS AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinions or letters contained in this circular:

Name	Qualification
Merdeka Corporate Finance Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Royson Valuation Advisory Limited	Independent professional valuer

As of the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2021), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The headquarters and principal place of business of the Company in Hong Kong is situated at Unit 09, 7/F., FTLife Tower, No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Ms. Leung Pui Shan, who is a member of The Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Chung Kin Man, who obtained a degree of Bachelor of Computer Technology from La Trobe University in Australia, a degree of Master of Information Technology from Monash University in Australia, and a

degree of Associate of Social Science in Social Work from The City University of Hong Kong. He also completed the Health Worker Training Course from Management Society for Healthcare Professionals in Hong Kong and has been registered as a health worker by the SWD. He has also been a social worker registered with the Social Workers Registration Board in Hong Kong.

- (e) The principal share register of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shuionnc.com) for a period of 14 days from the date of this circular:

- (a) the Memorandum and Articles of the Company;
- (b) the letter from the Board, the text of which is set out on pages 6 to 20 of this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (d) the letter issued by the Independent Financial Adviser, the text of which is set out on pages 23 to 39 of this circular;
- (e) the Market Rent Letter, the text of which is set out in Appendix III to this circular;
- (f) the consent letters as referred to in the paragraph headed “9. Experts and Consent” in this appendix; and
- (g) the Tenancy Agreements.

NOTICE OF ANNUAL GENERAL MEETING



Hang Chi Holdings Limited 恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Hang Chi Holdings Limited (the “**Company**”) will be held at Unit 09, 7/F., FTLife Tower No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong on 27 June 2022, Monday, at 3 p.m. for the purpose of transacting the following business:

1. To receive and consider the audited financial statements of the Company and its subsidiaries, and the reports of the directors of the Company (the “**Directors**”) and of the independent auditor of the Company (the “**Auditor**”) for the year ended 31 December 2021.
2.
 - (a) To re-elect Mr. Chung Kin Man as executive Director.
 - (b) To re-elect Ms. Chung Wai Man as executive Director.
 - (c) To re-elect Mr. Wong Wai Ho as independent non-executive Director.
 - (d) To authorise the board of Directors (the “**Board**”) to fix the remuneration of the Directors.
3. To appoint UniTax Prism (HK) CPA as the new auditor in place of the retiring auditor and to authorise the Board to fix their remuneration.

As special business, to consider and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

4. “**THAT:**
 - (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue, grant, distribute and deal with additional shares of the Company (the “**Shares**”) and to make, issue or grant offers, agreements, options (including bonds,

NOTICE OF ANNUAL GENERAL MEETING

warrants and debentures convertible into Shares) and rights of exchange or conversion which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to make, issue or grant offers, agreements, options (including bonds, warrants and debentures convertible into Shares) and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of share capital allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted, distributed or otherwise dealt with (whether pursuant to an option, a conversion or otherwise) and issued by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares; (iii) the exercise of any options granted under any option scheme adopted by the Company or similar arrangement for the time being adopted for the granting or issuance of Shares, or rights to acquire Shares; or (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (the “**Articles**”) from time to time, shall not exceed 20% of the total number of Shares in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (d) subject to the passing of each of the paragraphs (a), (b) and (c) above, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) above which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

NOTICE OF ANNUAL GENERAL MEETING

“**Rights Issue**” means the allotment, issue or grant of Shares or other securities which would or might require Shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (the “**Shareholders**”) (excluding for such purpose any Shareholder who is resident in a place where it would or might be unlawful or impracticable to offer Shares in compliance with any legal or regulatory requirements or special formalities in such place under the laws of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of Shares or such other equity securities.”

5. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase issued Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) or of any other stock exchange as amended from time to time and the manner of any such repurchase be and is hereby generally and unconditionally approved;
- (b) the aggregate number of the Shares which are authorised to be repurchased by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of Shares in issue as at the date of passing of this resolution, and the said approval under paragraph (a) above shall be limited accordingly;
- (c) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its Shares at a price determined by the Directors;
- (d) subject to the passing of each of the paragraphs (a), (b) and (c) above, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) above which had been granted to the Directors and which are still in effect be and hereby revoked; and
- (e) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.”
6. **“THAT** conditional upon the passing of resolutions number 4 and number 5 above, the general mandate granted to the Directors pursuant to resolution number 4 above be and is hereby extended by the addition to the aggregate number of the Shares repurchased by the Company pursuant to the repurchase mandate under resolution number 5 above, provided that such amount shall not exceed 10% of the total number of Shares in issue as at the date of passing of this resolution.”
7. **“THAT:**
- (a) the tenancy agreements (the **“Tenancy Agreements”**) to be entered into between Shui Jun Nursing Centre (Yau Tong) Company Limited, a wholly-owned subsidiary of the Company, as tenant and Ever Premier Limited and Roymark Limited as landlords respectively (details of the Tenancy Agreements are set out in the circular of the Company dated 26 May 2022, a copy of the Tenancy Agreements is marked “A” and produced to the AGM and signed by the chairman of the AGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
 - (b) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Tenancy Agreements and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the Board
Hang Chi Holdings Limited
Yik Tak Chi
Chairman and Executive Director

Hong Kong, 26 May 2022

NOTICE OF ANNUAL GENERAL MEETING

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*
Unit 09 7/F., FTLife Tower
No. 18 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

Notes:

1. In the view of the recent development of the COVID-19 pandemic and the announcement of the Hong Kong Government on the latest Prevention and Control of Disease (Prohibition on Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong), Shareholders are reminded to refer to the section headed “Special Arrangements and Precautionary Measures for the Annual General Meeting” on pages iii to v of this Circular.
2. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company’s branch registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the form of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.
5. For the purposes of determining the Shareholders’ eligibility to attend and vote at the forthcoming Meeting to be held on 27 June 2022 (Monday), the transfer books and register of members of the Company will be closed from 22 June 2022 (Wednesday) to 27 June 2022 (Monday), both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on 21 June 2022 (Tuesday).
6. Particulars of the Directors proposed for re-election are set out in Appendix I to this circular which this notice forms part.
7. In the interest of all stakeholders’ health and safety and consistent with the guidelines for the prevention and control of COVID-19, the Company encourages Shareholders, particularly those who are subject to quarantine in relation to COVID-19, to appoint the chairman of the above meeting as their proxy to vote at the above meeting as an alternative to attending in person.