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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in Wai Chun Bio-Technology Limited, you should at once hand this circular together with the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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# 偉俊生物科技有限公司

## Wai Chun Bio-Technology Limited

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

**(Stock code: 660)**

**(I) CONNECTED TRANSACTION:  
PROPOSED ISSUE OF NEW CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(II) PROPOSED ALTERATION TO THE TERMS OF  
EXISTING CONVERTIBLE BONDS; AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**INCUB Corporate Finance Limited**

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The notice convening the extraordinary general meeting (the “EGM”) of Wai Chun Bio-Technology Company Limited (the “Company”) to be held at 13/F., Admiralty Centre, Tower II, 18 Harcourt Road, Admiralty, Hong Kong at 11:00 a.m. on Friday, 24 December 2021 is set out on pages 69 to 72 of this circular.

A proxy form for the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

### **PRECAUTIONARY MEASURES FOR THE EGM**

Practical measures will be taken to try to avoid the spread of COVID-19 at the EGM, including:

- Compulsory temperature checks and health declarations for all attendees, including Directors and Shareholders.
- Prohibition from attendance at the EGM if the attendee has a fever.
- Persons exhibiting flu-like symptoms may also be refused admittance to the venue of the EGM.
- Compulsory wearing of surgical face masks throughout the EGM.
- Maintaining proper distance between seats. No refreshments will be served at the EGM.

Any person who does not comply with the precautionary measures may be denied entry into the venue of the EGM. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>COVID-19 Precautionary Measures at the EGM</b> .....	5
<b>Letter from the Board</b> .....	6
<b>Letter from the Independent Board Committee</b> .....	29
<b>Letter from IFA</b> .....	30
<b>Appendix – General Information</b> .....	64
<b>Notice of EGM</b> .....	69

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## DEFINITIONS

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

“Alteration of Terms”	together (a) the proposed revision of the conversion price of the Existing Convertible Bonds from HK\$0.12 per Conversion Share to HK\$0.05 per Existing Convertible Bonds Conversion Share; (b) the proposed reduction of the Interest Rate from 4% per annum to 2% per annum; (c) the proposed reduction of the redemption amount at maturity from 100% of the principal amount to 98% of the principal amount of the Existing Convertible Bonds; and (d) the conversion rights attached to the Existing Convertible Bonds shall only be exercised on the condition that any conversion of the Existing Convertible Bonds does not: (aa) trigger a mandatory general offer obligation on the Existing Bondholder under Rule 26 of the Takeovers Code; and (bb) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.
“Announcement”	the announcement of the Company dated 22 October 2021 in respect of the Subscription Agreement and the Alteration of Terms
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9: 00 a.m. and 12: 00 noon and is not lowered at or before 12: 00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Chinese Success” or “New Bondholder”	Chinese Success Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 833,198,432 Shares of the Company which is wholly-owned by Mr. Lam Ching Kui
“Company”	Wai Chun Bio-Technology Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

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## DEFINITIONS

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“Completion Date”	the date of closing, being the day falling on the second Business Day (or such other day as agreed by the Company and Chinese Success after fulfillment of all the conditions precedent set out in the Subscription Agreement which is expected to be 31 December 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the New Convertible Bonds Conversion Price or the Existing Convertible Bonds Conversion Price, as the case may be
“Conversion Share(s)”	the New Convertible Bonds Conversion Share(s) or the Existing Convertible Bonds Conversion Share(s), as the case may be
“Debt Settlement”	the settlement of the Shareholder’s Loan and the Other Loan
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve: (i) the Subscription Agreement and the transactions contemplated thereunder including the grant of the New Convertible Bonds Specific Mandate; and (ii) the Alteration of Terms including the grant of the Existing Convertible Bonds Specific Mandate
“Existing Bondholder”	Mr. Huang Zhiyong (黃志勇)
“Existing Convertible Bond(s)”	the 4% coupon convertible bonds due 2023 issued by the Company on 27 November 2020
“Existing Convertible Bonds Conversion Price”	the proposed new conversion price of HK\$0.05 per Conversion Share under the proposed Alteration of Terms, subject to adjustment under the terms and conditions of the Existing Convertible Bonds
“Existing Convertible Bonds Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attached to the Existing Convertible Bonds
“Existing Convertible Bonds Specific Mandate”	the mandate to allot and issue the Existing Convertible Bonds Conversion Shares at the Conversion Price to be sought at the EGM
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFA” or “INCU”	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of to the Subscription Agreement and the transactions contemplated thereunder
“Independent Board Committee”	an independent board committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	in respect of the Subscription Agreement, Shareholders other than the New Bondholder and its associates not required under the Listing Rules to abstain from voting for the ordinary resolution number 1 in the notice of EGM; and in respect of the Alteration of Terms, Shareholders other than the Existing Bondholder and his associates not required under the Listing Rules to abstain from voting for the ordinary resolution number 2 in the notice of EGM
“Interest Rate”	the interest rate of the Existing Convertible Bonds
“Last Trading Day”	22 October 2021, being the last trading day of the Shares on the Stock Exchange prior to the date of the Announcement
“Latest Practicable Date”	8 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 or such other date as may be agreed by the Company and Chinese Success
“New Convertible Bonds”	convertible bonds in an aggregate principal amount of HK\$21,000,000 to be issued by the Company and subscribed by Chinese Success pursuant to the Subscription Agreement for the Debt Settlement

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## DEFINITIONS

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“New Convertible Bonds Conversion Price”	initially HK\$0.05 per Conversion Share, subject to adjustment
“New Convertible Bonds Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the New Convertible Bonds by Chinese Success
“New Convertible Bonds Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the New Convertible Bonds Conversion Shares to be proposed for approval as an ordinary resolution of the Independent Shareholders at the EGM
“Other Loan”	liabilities due by the Company to its controlling Shareholder (including its ultimate beneficial owner, Mr. Lam Ching Kui) for their assumption or payment of debts, liabilities, office rents and other expenses on behalf of the Group, which is expected to amount to HK\$15,700,000 as at Completion Date, bearing interest rate of 6.25% per annum and repayable on demand
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Shareholder’s Loan”	shareholder’s loan due by the Company to Wai Chun Investment Fund, being the holding company of Chinese Success, which is expected to amount to HK\$5,300,000 as at Completion Date, bearing interest rate of 6.25% per annum and repayable on demand
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the New Convertible Bonds by Chinese Success pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 22 October 2021 entered into between the Company and Chinese Success in relation to the Subscription
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## **COVID-19 PRECAUTIONARY MEASURES AT THE EGM**

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In view of the ongoing COVID-19 pandemic and the heightened requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

1. Compulsory body temperature screening or checks will be carried out on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37 degrees Celsius or who is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue.
2. Every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no surgical face masks will be provided at the EGM venue and attendees should bring and wear their own surgical face masks.
3. No refreshments will be served to attendees at the EGM.
4. No corporate gifts will be distributed to attendees at the EGM. Attendees are requested to observe and practice good personal hygiene at all times at the venue of the EGM.

To the extent permitted under law, the Company reserves the right to deny any person entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

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## LETTER FROM THE BOARD

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# 偉俊生物科技有限公司

## Wai Chun Bio-Technology Limited

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

**(Stock code: 660)**

*Executive Director:*

Mr. Lam Ching Kui

*(Chairman and Chief Executive Officer)*

*Independent Non-executive Directors:*

Mr. Chan Cheuk Ho

Mr. Wan Bo

Mr. Hau Pak Man

*Registered office:*

P.O. Box 31119

Grand Pavilion

Hibiscus Bay

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

13/F, Admiralty Centre 2,

18 Harcourt Road,

Admiralty,

Hong Kong

9 December 2021

*To the Shareholders*

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION:  
PROPOSED ISSUE OF NEW CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE; AND  
(II) PROPOSED ALTERATION TO THE TERMS OF  
EXISTING CONVERTIBLE BONDS**

Reference is made to the Announcement in relation to the Subscription Agreement, the transactions contemplated thereunder and the Alteration of Terms.

The purpose of this circular is to provide you with, among others, (i) details of the Subscription Agreement involving the issue of the New Convertible Bonds under the New Convertible Bonds Specific Mandate to be sought at the EGM; (ii) the proposed Alteration of Terms involving the grant of the Existing Convertible Bonds Specific Mandate; (iii) a notice convening the EGM; and (iv) other information as required under the Listing Rules.



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## LETTER FROM THE BOARD

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### (I) PROPOSED ISSUE OF NEW CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

#### **The Subscription Agreement**

On 22 October 2021, the Company entered into the Subscription Agreement with Chinese Success (a connected person of the Company) pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$21,000,000 under the New Convertible Bonds Specific Mandate.

The New Convertible Bonds carry the conversion rights to convert into the New Conversion Shares at the Conversion Price of HK\$0.05 per New Conversion Share (subject to adjustment). The subscription amount payable by Chinese Success under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and Other Loan, payable by the Company to the Chinese Success and/or its associates which is expected to amount to a total of HK\$21,000,000 as at Completion Date.

The principal terms of the Subscription Agreement are summarised below:

#### ***Date***

22 October 2021

#### ***Party***

- (1) The Company as issuer; and
- (2) Chinese Success as subscriber

#### ***Subscription of New Convertible Bonds***

Pursuant to the Subscription Agreement, Chinese Success conditionally agreed to subscribe for New Convertible Bonds with an aggregate principal amount of HK\$21,000,000.

#### ***Conditions precedent to the Subscription Agreement***

Completion shall be conditional on the following conditions precedent being satisfied:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM of the Company in compliance with the requirements of the Listing Rules approving (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the issue of the New Convertible Bonds and the grant of New Convertible Bonds Specific Mandate for the allotment and issue of the New Convertible Bonds Conversion Shares to Chinese Success in accordance with the terms of the Subscription Agreement;
- (ii) all necessary consents and approvals required to be obtained on the part of Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

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## LETTER FROM THE BOARD

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- (iii) all necessary consents and approvals required to be obtained on the part of Chinese Success in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the Listing Committee granting listing of and permission to deal in the New Convertible Bonds Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the New Convertible Bonds;
- (v) none of the warranties given by Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vi) none of the warranties given by Chinese Success under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

The Company shall use its best endeavours to procure the fulfillment of the conditions precedent set out in conditions (i), (ii), (iv) and (v) above as soon as practicable and in any event on or before the Long Stop Date. Chinese Success shall use its best endeavours to procure the fulfillment of the conditions precedent set out in conditions (iii) and (vi) above as soon as practicable and in any event on or before the Long Stop Date.

The conditions precedent set out in conditions (i), (ii), (iii) and (iv) above are incapable of being waived. Chinese Success may at any time by notice in writing to the Company waive the condition set out in condition (v) above. The Company may at any time by notice in writing to Chinese Success to waive the condition set out in condition (vi) above.

In the event that any of the conditions precedent referred to above is not fulfilled or waived (to the extent it is capable of being waived) on or before the Long Stop Date, the Subscription Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement save in respect of any antecedent breach of any obligation thereof.

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

### **Principal terms and conditions of the New Convertible Bonds**

Issuer	:	The Company
Subscriber	:	Chinese Success
Issue price	:	100% of the principal amount
Principal amount	:	HK\$21,000,000
Conversion price	:	HK\$0.05 per Conversion Share, subject to adjustments

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## LETTER FROM THE BOARD

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Form and denomination : The New Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each.

Adjustment events : (a) *Consolidation or sub-division of the Shares*

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the conversion price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.

(b) *Capitalisation of profits or reserves*

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), Shares paid up out of distributable profits or reserves and/or share premium account or capital redemption reserve fund issued in lieu of the whole or any part of a relevant cash dividend, being a scrip dividend (but only to the extent that the market value of such Shares exceeds 110% of the amount of such relevant cash dividend or the relevant part thereof), the conversion price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

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## LETTER FROM THE BOARD

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(c) *Capital distribution*

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such Holders rights to acquire for cash assets of the Company or any of its subsidiaries, the conversion price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A-B}{A}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such right which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of the independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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## LETTER FROM THE BOARD

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Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

(d) *Issue of Shares for subscription by way of rights*

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price on the date of the announcement of the terms of the offer or grant, the conversion price shall be adjusted by multiplying the conversion price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per share and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

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## LETTER FROM THE BOARD

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Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Holders (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the Convertible Bonds registered in their names that the Holders hold out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

(e) *(aa) Issue of convertible or exchangeable securities*

If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 90% of the market price on the date of the announcement of the terms of issue of such securities, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price per Share and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

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## LETTER FROM THE BOARD

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Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

*(bb) Modification of rights of convertible or exchangeable securities*

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (e) are modified so that the total effective consideration per Share (as defined below) initially receivable for such securities shall be less than 90% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

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## LETTER FROM THE BOARD

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Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the conversion price provided that corresponding adjustment has already been made to the conversion price in respect of such an event.

For the purposes of this paragraph (e), the “total effective consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total effective consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.



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## LETTER FROM THE BOARD

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- (f) *Issue of Shares being made wholly for cash at a price less than 90% of the market price per Share*

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue, the conversion price shall be adjusted by multiplying the conversion price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

- (g) If and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined in this paragraph (g) below) which is less than 90% of the market price at the date of the announcement of the terms of such issue, the conversion price shall be adjusted in such manner as may be determined by the independent auditors. Such adjustment shall become effective on the date of issue.

For the purpose of this paragraph (g) “total effective consideration” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “total effective consideration per Share” shall be the total effective consideration divided by the number of Shares issued as aforesaid.

Interest rate : 2% per annum accrued on a daily basis of a 365-day year and payable quarterly in arrears.

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## LETTER FROM THE BOARD

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- New Convertible Bonds  
Conversion Shares : Based on the principal amount of the New Convertible Bonds of HK\$21,000,000, the New Convertible Bonds is convertible into New Conversion Shares at the initial conversion price of HK\$0.05 per New Convertible Bonds Conversion Share (subject to adjustments).
- Conversion period : The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the New Convertible Bonds.
- Conversion rights and  
restrictions : The holder of the New Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the New Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; and (ii) the exercise of the conversion right attaching to the New Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules.
- Early redemption at the  
option of the Company : The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) days' notice to the holders of the New Convertible Bonds, propose to the holders to redeem the outstanding New Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding New Convertible Bonds at any time after the date of issue of the New Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the New Convertible Bonds.

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## LETTER FROM THE BOARD

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Ranking of New Convertible Bonds Conversion Shares	:	The New Convertible Bonds Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
Maturity date	:	The date falling on the third anniversary of the date of issue of the New Convertible Bonds.
Voting rights	:	Chinese Success shall not have any right to attend or vote in any general meeting of the Company.
Transferability	:	Subject to compliance with the Listing Rules, the New Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by Chinese Success to any party.
Listing	:	No application will be made by the Company for the listing of the New Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares.
Security	:	The obligations of the Company under the New Convertible Bonds are unsecured.

### **New Convertible Bonds Conversion Shares**

Upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price of HK\$0.05 each (subject to adjustments), a maximum of 420,000,000 New Convertible Bonds Conversion Shares will be allotted and issued which represents:

- (i) approximately 25.0% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 20.0% of the total number of issued Shares as enlarged by the allotment and issue of the 420,000,000 New Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of Shares from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full; and

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## LETTER FROM THE BOARD

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- (iii) approximately 12.2% of the total number of issued Shares as enlarged by the allotment and issue of the 420,000,000 New Convertible Bonds Conversion Shares and the allotment and issue of the 1,340,000,000 Existing Convertible Bonds Conversion Shares assuming all of the Existing Convertible Bonds are converted in full at the Existing Convertible Bonds Conversion Price of HK\$0.05 per Existing Convertible Bonds Conversion Share.

### **Conversion Price**

The New Convertible Bonds Conversion Price which is the same as the Existing Convertible Bonds Conversion Price, represents:

- (a) the same closing price of HK\$0.05 per Share as quoted on the Stock Exchange as at the Last Trading Day; and
- (b) a discount of approximately 12.3% to the average of the closing prices of HK\$0.057 per Share for the last five trading days immediately preceding the Last Trading Day.

The Conversion Price was determined by reference to the recent trading performance of the Shares on the Stock Exchange.

The Directors (excluding Mr. Lam Ching Kui who is interested in the Subscription Agreement) consider that the Conversion Price pursuant to the Subscription Agreement and the reasons for and benefits of the Subscription are fair and reasonable and are in the interests of the Shareholders as a whole.

### **Completion**

The completion of the Subscription Agreement shall take place at or before 4:00 p.m. on the second Business Day (or such other date as agreed by the Company and Chinese Success) after fulfillment of all the conditions precedent set out above, which is expected to be 31 December 2021.

### **Minimum public float requirement**

Pursuant to the terms of the New Convertible Bonds, the conversion rights are restricted by the public float requirement under the Listing Rules. In other words, Chinese Success may only convert such number of New Convertible Bonds into Shares which would not cause the Company to not comply with the public float requirement under the Listing Rules following the conversion.

## LETTER FROM THE BOARD

Before the exercise of the conversion rights, Chinese Success shall deliver a written conversion notice to the Company setting out the principal amount of New Convertible Bonds to be converted into New Convertible Bonds Conversion Shares. Having taken into account the initial conversion price as adjusted by the occurrence of triggering events as mentioned above (if any), if the issue of the New Convertible Bonds Conversion Shares pursuant to the exercise of the conversion rights by Chinese Success would result in the Company to not comply with the minimum public float requirement under the Listing Rules, then the Company shall not allow Chinese Success to exercise such conversion rights so as to maintain the minimum public float requirement, and the conversion notice shall be void.

### Changes to shareholding structure of the Company as a result of the proposed issue of New Convertible Bonds Conversion Shares

Set out below the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the full conversion of the outstanding Existing Convertible Bonds at the Existing Convertible Bonds Conversion Price (assuming there being no other issue or repurchase of Shares); and (iii) immediately after the full conversion of the outstanding Existing Convertible Bonds at the Existing Convertible Bonds Conversion Price (assuming there being no other issue or repurchase of Shares) and the full conversion of the New Convertible Bonds is as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately after full exercise of the conversion rights attaching to the Existing Convertible Bonds and assuming none of the New Convertible Bonds are converted		Immediately after full exercise of the conversion rights attaching to the New Convertible Bonds and the Existing Convertible Bonds <sup>(note 3 and note 4)</sup>		Immediately after full exercise of the conversion rights attaching to the New Convertible Bonds and the Existing Convertible Bonds, subject to public float restriction <sup>(note 6)</sup>	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Chinese Success <sup>(note 1)</sup>	833,198,432	49.57	833,198,432	27.58	1,253,198,432	36.42	1,063,198,432	32.71
Lam Ching Kui <sup>(note 2)</sup>	28,004,000	1.67	28,004,000	0.93	28,004,000	0.81	28,004,000	0.86
	861,202,432	51.24	861,202,432	28.51	1,281,202,432	37.24	1,091,202,432	33.57
Existing Bondholder <sup>(note 4)</sup>	6,124,400	0.36	1,346,124,400	44.56	1,346,124,400	39.12	1,346,124,400	41.41
Public Shareholders <sup>(note 5)</sup>	813,437,705	48.40	813,437,705	26.93	813,437,705	23.64	813,437,705	25.02
<b>Total</b>	<b>1,680,764,537</b>	<b>100.00</b>	<b>3,020,764,537</b>	<b>100.00</b>	<b>3,440,764,537</b>	<b>100.00</b>	<b>3,250,764,537</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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*Notes:*

- (1) Chinese Success, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, the Chairman and executive Director of the Company, Chinese Success Limited holds 833,198,432 Shares.
- (2) Mr. Lam Ching Kui, the Chairman and executive Director of the Company, directly holds 28,004,000 Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) The Existing Bondholder has 16,270,685 share options under the share option scheme of the Company, representing approximately 0.97% of the existing issued share capital of the Company and approximately 0.54% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Existing Convertible Bonds. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 16 July 2018 to 15 July 2023.
- (5) Pursuant to the terms and conditions of the Existing Convertible Bonds, the Existing Bondholder shall not exercise the conversion rights attaching to the Existing Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules.
- (6) For indicative purpose, Chinese Success would convert 230,000,000 New Convertible Bonds Conversion Shares to comply with the minimum public float requirement under the Listing Rules.

### **Dilution and financial effects with the amendment of terms of the Existing Convertible Bonds and none of the New Convertible Bonds to be converted**

For indicative purposes only, a maximum of 1,340,000,000 Existing Convertible Bonds to be converted in full shall represent approximately 79.7% of the total number of issued Shares and approximately 44.4% of the total number of issued Shares as enlarged by the allotment and issue of the Existing Conversion Bonds Conversion Shares. The existing shareholding of the Independent Shareholders will be diluted from approximately 48.40% before full conversion of the Existing Conversion Convertible Bonds to approximately 26.93 % immediately after full conversion of the Existing Conversion Convertible Bonds. It would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.

In addition, the capital deficiency of approximately HK\$10 million of the Group as at 30 June 2021 will be greatly reduced by approximately HK\$50.8 million into the net assets value of approximately HK\$40.8 million in addition to the interest saving approximately HK\$2.84 million, and the 2% redemption discount which amount to approximately HK\$1.34 million, representing a significant improvement to the financial position to the Group amounting to approximately HK\$55 million.

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## LETTER FROM THE BOARD

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### **Dilution and financial effects of the issue of the New Convertible Bonds, aggregated with that of the amendment of terms of the Existing Convertible Bonds**

For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement, upon full conversion of the New Convertible Bonds at the Conversion Price, the New Convertible Bonds will be convertible into 420,000,000 New Convertible Bonds Conversion Shares, assuming none of the Existing Convertible Bonds are converted and no outstanding Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attached to the New Convertible Bonds are exercised in full, the 420,000,000 New Convertible Conversion Shares shall represent approximately 25.00% of the total number of issued Shares and approximately 20.00% of the total number of issued Shares as enlarged by the allotment and issue of the New Conversion Bonds Conversion Shares.

Assuming no outstanding Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attached to the New Convertible Bonds and the Existing Convertible Bonds are exercised in full, the existing shareholding of the Independent Shareholders will be diluted from approximately 48.40% before full conversion of the New Convertible Bonds and the Existing Convertible Bonds to approximately 23.64% immediately after full conversion of the New Convertible Bonds and the Existing Convertible Bonds. However, as mentioned above, it has been set out in the terms of the New Convertible Bonds that Chinese Success may only convert such number of New Convertible Bonds as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion and according to the Alteration of Terms, the conversion rights attached to the Existing Convertible Bonds shall only be exercised on the condition that any conversion of the Existing Convertible Bonds does not: (aa) trigger a mandatory general offer obligation on the Existing Bondholder under Rule 26 of the Takeovers Code; and (bb) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

Based on the reduced conversion price of the Existing Convertible Bonds and the New Convertible Bonds, the cumulative theoretical dilution of the proposed alteration to the terms of Existing Convertible Bonds and New Convertible Bonds and the issue of the 420,000,000 Conversion Shares assuming the conversion rights attached to the Existing Convertible Bonds and the New Convertible Bonds are exercised in full, is approximately 8.53%.

As disclosed in the interim report of the Company for the six months ended 30 June 2021, the Company recorded net liabilities of approximately HK\$10,081,000 as at 30 June 2021 and loss attributable to owners of the Company amounted to approximately HK\$4,474,000 for the six months ended 30 June 2021. Assuming the Alteration of Terms are approved and implemented as proposed and all of the conversion rights attached to the New Convertible Bonds and Existing Convertible Bonds are exercised in full as at 30 June 2021, the loss attributable to existing Shareholders would be HK\$0.00130 per Share for the six months period ended 30 June 2021 which is 51% lower than the actual loss per Share of HK\$0.00266 for the six months period ended 30 June 2021.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, assuming the Alteration of Terms are approved and implemented as proposed and all conversion rights attached/attaching to the Existing Convertible Bonds and the New Convertible Bonds are exercised in full, the net liability position of the Company of approximately HK\$10 million as at 30 June 2021 will be greatly reduced by approximately HK\$71.8 million, being composed of Shareholder's Loan of HK\$5,300,000, Other Loan of HK\$15,700,000 and the liability portion of the Existing Convertible Bond of HK\$50,803,000, resulted in the Company having net assets of approximately HK\$61.8 million. In addition, there would be interest saving of approximately HK\$2.87 million, and the 2% redemption discount which amount to approximately HK\$1.34 million, representing a significant improvement to the financial position to the Group amounting to approximately HK\$76 million. The Board considers that although the relative shareholding interests in the Company of the existing Shareholders would be diluted as a result of the conversion of the Existing Convertible Bonds and the New Convertible Bonds into Shares, the Board was of the view that it would be in the best interest of the Company and its shareholders as a whole if the capital deficiency of the Group would be reverse.

In view of (i) the reasons for and benefits of entering into the Subscription Agreement as set out below; (ii) the terms of the Subscription Agreement and the New Convertible Bonds being fair and reasonable and in the interests of the Shareholders as a whole; and (iii) the minimum public float requirement of the Listing Rules and relevant restrictions under the Subscription Agreement, the Board is of the view that the feasible level of dilution (subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement) to the shareholding interests of the Independent Shareholders is acceptable.

### **Equity fund raising activities of the Company in the past 12 months**

The Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the Latest Practicable Date.

### **Mandate to issue the Conversion Shares**

The issue and allotment of the New Convertible Bonds Conversion Shares under the New Convertible Bonds Specific Mandate are subject to the approval of the Independent Shareholders at the EGM.

## **INFORMATION ABOUT THE GROUP**

The Group is principally engaged in the manufacturing and sales of modified starch and other co-related bio-chemical products and general trading of electronic parts and components and electrical appliances.

## **USE OF PROCEEDS FROM PROPOSED ISSUE OF THE NEW CONVERTIBLE BONDS**

The gross proceeds from the issue of the New Convertible Bonds are expected to be approximately HK\$21,000,000. The subscription amount payable by Chinese Success under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and Other Loan, payable by the Company to the Chinese Success and/or its associates which is expected to amount to a total of HK\$21,000,000 as at Completion Date.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

The subscription amount payable by Chinese Success under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and the Other Loan, payable by the Company to Chinese Success and/or its associates which is expected to amount to HK\$21,000,000 as at the Completion Date. Mr. Lam Ching Kui had been financing the operations of the Group through the provision of the Shareholder's Loan and the Other Loan to the Group. The Board considers that the Shareholder's Loan which bear interest at 6.25% per annum together with the Other Loan which is also owed to the controlling shareholder (including its ultimate beneficial owner, Mr. Lam Ching Kui), represents a heavy financial burden to the Group as the Company has a capital deficit of approximately HK\$10 million as at 30 June 2021.

In view of the above, the Board and Mr. Lam Ching Kui has reviewed and explored different approaches to settle the Shareholder's Loan and the Other Loan (together with the accrued interest) and considered the issue of the New Convertible Bonds to be the most effective and suitable for reducing the amount of interest expense incurred by the Group per annum, enhancing the financial position of the Group and reducing the gearing ratio of the Group as (i) the New Convertible Bonds bear a lower interest rate of 2% per annum and will be able to minimise the short-term financial burden to the Group; (ii) the principal amount of the Shareholder's Loan and the Other Loan (together with the accrued interest) will be fully settled upon the exercise in full of the conversion rights of the New Convertible Bonds without requiring any cash outflow; and (iii) the issue of the New Convertible Bonds does not have an immediate dilution effect on the shareholding of the Company.

The interest rate of 2% per annum will be the same as the proposed revised interest rate of the Existing Convertible Bonds.

In view of the above, the Directors (excluding Mr. Lam Ching Kui who is interested in the Subscription) are of the view that the terms of Subscription Agreement are on normal commercial terms and the issue of the New Convertible Bonds are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The New Convertible Bonds Conversion Shares will be issued pursuant to the New Convertible Bonds Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established, comprising all the independent nonexecutive Directors, to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated respectively thereunder, including but not limited to the issue of the New Convertible Bonds, the allotment and issue of the New Convertible Bonds Conversion Shares, and the grant of the New Convertible Bonds Specific Mandate. INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### (II) PROPOSED ALTERATION TO THE TERMS OF EXISTING CONVERTIBLE BONDS

References are made to the announcement of the Company dated 21 September 2020 and the circular of the Company dated 5 November 2020 in relation to, among other things, the issuance by the Company of the Existing Convertible Bonds in the aggregate principal amount of HK\$67,000,000 to the Existing Bondholder.

As at the date of the Announcement, none of the conversion rights attached to the Existing Convertible Bonds has been exercised by the Existing Bondholder and no Existing Convertible Bonds Conversion Shares were issued by the Company to the Existing Bondholder.

On 22 October 2021 (after trading hours), the Company and the Existing Bondholder have agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.12 per Existing Convertible Bonds Conversion Share to HK\$0.05 per Existing Convertible Bonds Conversion Share;
- (ii) the Interest Rate be amended from 4% per annum to 2% per annum;
- (iii) the Existing Convertible Bonds be redeemed at 98% of its principal amount at maturity; and
- (iv) the conversion rights attached to the Existing Convertible Bonds be only exercised on the condition that any conversion of the Existing Convertible Bonds does not: (aa) trigger a mandatory general offer obligation on the Existing Bondholders under Rule 26 of the Takeovers Code; and (bb) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

Apart from the Alteration of Terms above, all other terms and conditions of the Existing Convertible Bonds remain intact and unchanged.

To the best information, knowledge and belief of the Directors, save as to his shareholding of approximately 0.36% in the Company, the Existing Bondholder is an independent third party not connected with the Company and its connected persons.

The Alteration of Terms is conditional upon the following conditions:

- (a) the Stock Exchange granting its approval for the Alteration of Terms;
- (b) the passing of an ordinary resolution at the EGM approving the Alteration of Terms including the grant of the Existing Convertible Bonds Specific Mandate; and
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Existing Convertible Bonds Conversion Shares to be issued upon exercise of conversion rights attached to the Existing Convertible Bonds.

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## LETTER FROM THE BOARD

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None of the above conditions are waiverable. If any of the conditions above are not fulfilled by the Long Stop Date, the parties to the Alteration of Terms will not proceed. Apart from the proposed Alteration of Terms, all other terms of the Existing Convertible Bonds remain unchanged.

If the outstanding Existing Convertible Bonds are fully converted at the Existing Convertible Bonds Conversion Price of HK\$0.05 each, a maximum of 1,340,000,000 Existing Convertible Bonds Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Existing Convertible Bonds in full, which represents:

- (i) approximately 79.7% of the issued share capital of the Company as at the date of the Announcement; and
- (ii) approximately 44.4% of the issued share capital of the Company as to be enlarged by the issue of the 1,340,000,000 Existing Convertible Bonds Conversion Shares (assuming there being no other issue or repurchase of Shares); and
- (iii) approximately 38.9% of the issued share capital of the Company as to be enlarged by the issue of the 1,340,000,000 Existing Convertible Bonds Conversion Shares and the issue of the 420,000,000 New Convertible Bonds Conversion Shares assuming that there is no other change to the total number of Shares from the date of this announcement to the date when the Existing Convertible Bonds are converted in full (except for the allotment and issue of the New Convertible Bonds Conversion Shares).

According to the existing terms of the Existing Convertible Bonds, a Bondholder shall have the right to convert the Existing Convertible Bonds into Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules.

The Existing Convertible Bonds Conversion Shares will be issued under the Existing Convertible Bonds Specific Mandate to be sought at the EGM.

### **INFORMATION ABOUT THE EXISTING BONDHOLDER**

The Existing Bondholder is an individual investor who is experienced in investments and the finance industry. As at the Latest Practicable Date, the Existing Bondholder is the beneficial owner of 6,124,400 Shares, representing approximately 0.36% of the existing issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Existing Bondholder is a third party independent of the Company and its connected persons as at the Latest Practicable Date and they are independent from and not acting in concert (as defined in the Takeovers Code) with each other or their respective associates.

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## LETTER FROM THE BOARD

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### REASONS FOR THE ALTERATION OF TERMS

Since the existing conversion price of the Existing Convertible Bonds is much higher than the prevailing market price of the Share, the Existing Convertible Bonds Conversion Price will serve as an incentive for the Existing Bondholder to exercise the conversion rights attached to the Existing Convertible Bonds to convert the Existing Convertible Bonds into the Shares, thereby alleviating the financial pressure on the Company for redemption at the original maturity date. With the redemption discount of 2% at the maturity of the Existing Convertible Bonds, the financial pressure on the Company for redemption of the Existing Convertible Bonds at the maturity date would also be further lessened and the reduction of Interest Rate would alleviate the interest burden of the Company. Furthermore, as the Company had a capital deficit of approximately HK\$10 million as at 30 June 2021, the conversion of the Existing Convertible Bonds into Shares will improve the gearing ratio of the Company which could facilitate the Company in obtaining alternative source of finance to improve the financial position of Company.

The Shares have been trading below the existing conversion price since the issue of the Existing Convertible Bonds and the Existing Bondholder had no opportunity to convert any of the Existing Convertible Bonds since they were issued given the low trading price of the Shares. The Bondholder was not optimistic that the trading price of the Shares would exceed the existing conversion price in the near future, and therefore began discussion with the Company in seeking for reduction of the Existing Convertible Bonds Conversion Price. In return for the reduction of the Existing Convertible Bonds Conversion Price, the Bondholder has agreed to correspondingly reduce the interest rate of the Existing Convertible Bond and to give 2% discount for redemption at maturity upon the Alteration of Terms taking effect.

The Board considers that the Alteration of Terms are fair and reasonable and the Alteration of Terms are in the interests of the Company and the Shareholders as a whole. No proceeds will be received by the Company as a result of the Alteration of Terms.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Chinese Success (a company which is wholly and ultimately owned by Mr. Lam Ching Kui) is a controlling Shareholder of the Company and is beneficially interested in 833,198,432 Shares, representing approximately 49.57% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, the Chairman and an executive Director of the Company who is interested in 28,004,000 Shares personally, representing approximately 1.67% of the total number of issued Shares. Accordingly, Chinese Success is a connected person of the Company and the Subscription constitutes a connected transaction under the Listing Rules and will be subject to reporting and announcement requirements, as well as the approval of the Independent Shareholders at the EGM by way of poll. Mr. Lam Ching Kui, Chinese Success and their respective associates shall abstain from voting for the relevant resolution approving the Subscription Agreement at the EGM.

An application will be made to the Stock Exchange for its approval for the listing of, and permission to deal in the New Convertible Bonds Conversion Shares pursuant to the terms and conditions of the New Convertible Bonds.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Existing Bondholder is beneficially interested in 6,124,400 Shares and hence he and his associates shall abstain from voting for the relevant resolution approving the Alteration of Terms at the EGM.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities.

The grant of the Existing Convertible Bonds Specific Mandate for the issue and allotment of the Existing Convertible Bonds Conversion Shares will also be subject to approval by the Shareholders at the EGM in which the Existing Bondholder and his associates shall abstain from voting at the relevant resolution.

Application has been made to the Stock Exchange for its approval of: (i) the Alteration of Terms; and (ii) the listing of, and permission to deal in, the Existing Convertible Bonds Conversion Shares arising from the conversion of the outstanding Existing Convertible Bonds.

### **EXTRAORDINARY GENERAL MEETING**

The EGM will be held by the Company at 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 24 December 2021 at 11:00 a.m., to consider and if thought fit, to approve, among other things, (i) the entering into of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the Alteration of Terms. A form of proxy for use at the EGM is enclosed with this circular.

Chinese Success, Mr. Lam Ching Kui and their respective associates shall abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Chinese Success, Mr. Lam Ching Kui and their respective associates shall not be required to abstain from voting on the resolution approving the Alteration of Terms. The Existing Bondholder and his associates shall abstain from voting on the resolution approving the Alteration of Terms at the EGM. As at the Latest Practicable Date, to the best knowledge of the Directors, other than the Existing Bondholder, Chinese Success and Mr. Lam Ching Kui and their respective associates, no other Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

The notice of the EGM is set out on pages 69 to 72 of this circular.

### **PROXY ARRANGEMENT**

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange and the website of the Company. For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the EGM or any resumed session.

You are urged to complete and return the form of proxy whether or not you intend to attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 December 2021 to 24 December 2021 (both days inclusive), during which time no share transfers will be effected. The Shareholders whose names appear on the register of members of the Company on 20 December 2021 are entitled to attend and vote in respect of the resolution to be proposed at the EGM.

### RECOMMENDATIONS

The Independent Board Committee, having considered the advice from INCU, considers that (i) the terms of the Subscription Agreement are fair and reasonable; (ii) the terms of the Subscription Agreement are on normal commercial terms and (iii) the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolution in respect of the Subscription Agreement to be proposed at the EGM.

The recommendation of the Independent Board Committee is set out on page 29 in this circular and the letter from IFA is set out on pages 30 to 63 in this circular.

The Directors, excluding Mr. Lam Ching Kui who has abstained from voting at the Board meeting due to conflict of interest, consider the terms of the Subscription Agreement are fair and reasonable in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding Mr. Lam Ching Kui) recommend the Independent Shareholders to vote in favour of the resolution in respect of the Subscription Agreement and the transactions contemplated therein (including the grant of the New Convertible Bonds Specific Mandate) to be proposed at the EGM.

The Board is of the view that the proposed Alteration of Terms are in the interests of the Company and its Shareholders as a whole. As such, the Board recommends the Independent Shareholders to vote in favour of the resolution in respect of the Alteration of Terms (including the grant of the Existing Convertible Bonds Specific Mandate) to be proposed at the SGM.

### VOTE BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and the articles of association of the Company, all the votes at the EGM must be taken by poll. The methods of voting by the Shareholders at the EGM will be conducted by the combination of on-site voting and online voting. The Company will appoint scrutineers to handle vote-taking procedures at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### ADDITIONAL INFORMATION

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

By Order of the Board  
**Wai Chun Bio-Technology Limited**  
**Lam Ching Kui**  
*Chairman and Chief Executive Officer*



韋俊生物科技有限公司

Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 660)

9 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
PROPOSED ISSUE OF NEW CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 9 December 2021 (the “Circular”), of which this letter forms part. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Independent Board Committee has been formed to consider and advise you in respect of the issue of the New Convertible Bonds, the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. INCU has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard. The text of the letter of advice from IFA containing its recommendations and the principal factors and reasons it has taken into consideration in arriving at its recommendations is set out on pages 30 to 63 of the Circular.

Having considered the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder, and after taking into account the principal factors and reasons and the advice of IFA as set out in the “Letter from IFA”, contained in the Circular, we consider that the issue of the New Convertible Bonds, the terms of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the New Convertible Bonds Specific Mandate), though not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the New Convertible Bonds Specific Mandate).

Yours faithfully  
For and on behalf of the  
Independent Board Committee  
**Wai Chun Bio-Technology Limited**

**Mr. Chan Cheuk Ho**  
*Independent non-executive  
Director*

**Mr. Hau Pak Man**  
*Independent non-executive  
Director*

**Mr. Wan Bo**  
*Independent non-executive  
Director*

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## LETTER FROM IFA

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder.*



INCUBIO Corporate Finance Limited  
Unit D, 6/F, Bank of China Building,  
2A Des Voeux Road Central,  
Central, Hong Kong

9 December 2021

*To: The Independent Board Committee and  
the Independent Shareholders of  
Wai Chun Bio-Technology Limited*

Dear Sirs and Madams,

### **CONNECTED TRANSACTION IN RELATION TO PROPOSED ISSUE OF NEW CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (the “**Subscription**”), particulars of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 9 December 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement, the Company as an issuer entered into the Subscription Agreement with Chinese Success (a connected person of the Company) pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$21,000,000 under the New Convertible Bonds Specific Mandate.

As at the Latest Practicable Date, Chinese Success (a company which is wholly and ultimately owned by Mr. Lam Ching Kui) is a controlling Shareholder of the Company and is beneficially interested in 833,198,432 Shares, representing approximately 49.57% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, the Chairman and an executive Director of the Company who is interested in 28,004,000 Shares personally, representing approximately 1.67% of the total number of issued Shares. Accordingly, Chinese Success is a connected person of the Company and the Subscription constitutes a connected transaction under the Listing Rules and will be subject to reporting and announcement requirements, as well as the approval of the Independent Shareholders at the EGM by way of poll.



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## LETTER FROM IFA

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Chinese Success, Mr. Lam Ching Kui and their respective associates shall abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the EGM. Chinese Success, Mr. Lam Ching Kui and their respective associates shall not be required to abstain from voting on the resolution approving the Alteration of Terms. The Existing Bondholder and his associates shall abstain from voting on the resolution approving the Alteration of Terms at the EGM. As at the Latest Practicable Date, to the best knowledge of the Directors, other than the Existing Bondholder, Chinese Success and Mr. Lam Ching Kui and their respective associates, no other Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Subscription, and accordingly, are eligible to give independent advice and recommendations on the terms of Subscription Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Subscription Agreement and the transactions contemplated thereunder.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Cheuk Ho, Mr. Wan Bo and Mr. Hau Pak Man, has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Subscription Agreement and the transactions contemplated thereunder.

In our capacity as the independent financial adviser to the Independent Board Committee and the Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, being fair and reasonable so far as the Shareholders are concerned.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of

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## LETTER FROM IFA

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which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, (i) the information provided by the Group including the Circular, the Subscription Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”) and the interim report of the Company for the six months period ended 30 June 2021 (the “**Interim Report 2021**”) and (ii) our discussion with the Directors and the management of the Group with respect to the terms of and the reasons for entering into of the Subscription Agreement, the businesses and future outlook of the Group. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group and the subscriber nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinions and recommendations in respect of the Subscription, we have taken into consideration of the following principal factors and reasons:

#### **(I) Background of the Subscription**

##### *The Subscription*

On 22 October 2021, the Company as an issuer entered into the Subscription Agreement with Chinese Success pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$21,000,000 under the New Convertible Bonds Specific Mandate.

##### *Information of the subscriber*

Chinese Success, the subscriber, is a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 833,198,432 Shares of the Company which is wholly-owned by Mr. Lam Ching Kui.

#### **(II) Background and financial performance of the Group**

##### *Background of the Group*

The Company was incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange.

The Group is principally engaged in the manufacturing and sales of modified starch and other co-related bio-chemical products and general trading of electronic parts and components and electrical appliances.

# LETTER FROM IFA

## *Financial performance of the Group*

Set out below is the financial information of the Group for each of the financial years ended 31 December 2019 and 31 December 2020 (“**FY2019**” and “**FY2020**”, respectively) and for the six months ended 30 June 2020 and 30 June 2021 (“**HY2020**” and “**HY2021**”, respectively):

### *Consolidated financial performance of the Group*

	<b>FY2019</b> <i>HK\$'000</i> (Audited)	<b>FY2020</b> <i>HK\$'000</i> (Audited)	<b>HY2020</b> <i>HK\$'000</i> (Unaudited)	<b>HY2021</b> <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>				
– Modified starch and other biochemical products	558,343	567,553	247,104	287,873
– General trading	20,888	–	–	–
<b>Sub-total of revenue</b>	579,231	567,553	247,104	287,873
<b>Profit for the year/period</b>	<b>8,988</b>	<b>995</b>	<b>7,759</b>	<b>1,791</b>
<b>Profit or (Loss) for the year/period attributable to the owners of the Company</b>	<b>(3,159)</b>	<b>(8,149)</b>	<b>77</b>	<b>(4,474)</b>

Table 1: Summary of the consolidated financial performance of the Group

(i) HY2021 vs HY2020

As set out in table 1 above, the revenue of the Group in HY2021 increased by approximately HK\$40.77 million or 16.50% to approximately HK\$287.87 million, as compared with approximately HK\$247.10 million in HY2020. Such increase in revenue was mainly contributed by the increase of sale of modified starch and other biochemical products generated from new customers in HY2021.

As set out in table 1 above, the Group recorded a consolidated net profit of approximately HK\$1.79 million in HY2021, representing a decrease of approximately HK\$5.97 million or 76.93% as compared to the consolidated net profit of approximately HK\$7.76 million in HY2020. According to the Interim Report 2021, such decrease in net profit was mainly due to the increase in interest expense of the convertible bonds, which was issued on 27 November 2020, of approximately HK\$4.00 million and the increase in income tax expense of approximately HK\$1.07 million, which was nil in HY2020.

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## LETTER FROM IFA

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According to the Interim Report 2021, we noted that most of the profit of the Group for HY2021 was attributable to non-controlling interests and the Group recorded loss attributable to owners of the Company amounted to approximately HK\$4.47 million for HY2021 as compared with profit attributable to owners of the Company of approximately HK\$77,000 in HY2020.

(ii) FY2020 vs FY2019

As set out in table 1 above, the revenue of the Group in FY2020 decreased by approximately HK\$11.68 million or 2.02% to approximately HK\$567.55 million, as compared with approximately HK\$579.23 million in FY2019. Table 1 shows that such decrease in revenue was the combined effect (a) the increase in sale of modified starch and other biochemical products of approximately HK\$9.21 million due to increasing demand for modified starch; and (b) the decrease in general trading of electronic parts, components and electrical appliances to nil in FY2020 due to severe competition of the market after the outbreak of the COVID-19.

As set out in table 1 above, the Group recorded a consolidated net profit of approximately HK\$1.00 million in FY2020, representing a decrease of approximately HK\$7.99 million or 88.88% as compared to the consolidated net profit of approximately HK\$8.99 million in FY2019. According to the Annual Report 2020, the decrease in net profit in FY2020 was mainly (a) due to increase of finance costs of approximately HK\$1.91 million, including the increase in the interest on convertible bonds and loans from independent third parties and controlling shareholder; and (b) increase in administrative expenses of approximately HK\$4.15 million due to increase in professional fees incurred from corporate exercises.

Although the Group recorded net profit in FY2020, most of the profit was attributable to non-controlling interests. The loss attributable to owners of the Company was amounted to approximately HK\$8.15 million for FY2020 as compared with approximately HK\$3.16 million for FY2019, represents an increase of loss of approximately HK\$4.99 million.

## LETTER FROM IFA

### *Consolidated financial position of the Group*

	<b>As at 31 December 2020</b>	<b>As at 30 June 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)
<b>Non-current assets</b>		
Property, plant and equipment	61,093	61,672
Right-of-use assets	36,981	35,229
	98,074	96,901
<b>Current assets</b>		
Inventories	52,291	47,768
Trade and bill receivables	13,769	31,071
Deposits, prepayment and other receivables	18,728	28,273
Tax refundable	13	18
Bank balances and cash	5,446	4,127
	90,247	111,257
<b>Total assets</b>	188,321	208,158
<b>Current liabilities</b>		
Trade payables	43,192	54,781
Accruals and other payables	25,058	22,283
Contract liabilities	3,260	2,550
Borrowings	73,762	78,952
Lease liabilities	3,589	3,699
Loans from ultimate holding company	1,128	3,887
	149,989	166,152
<b>Non-current liabilities</b>		
Lease liabilities	3,161	1,284
Convertible bonds	48,140	50,803
	51,301	52,087
<b>Total liabilities</b>	201,290	218,239
<b>Net current liabilities</b>	(59,742)	(54,895)

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## LETTER FROM IFA

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	As at 31 December 2020 <i>HK\$'000</i> (Audited)	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)
<b>Capital deficiency</b>	<u>(12,969)</u>	<u>(10,081)</u>

Table 2: Summary of the consolidated financial position of the Group

(i) Non-current assets and current assets

As set out in table 2, the non-current assets of the Group, which consists of property, plant and equipment and right-of-use assets, remained stable over the HY2021.

As set out in table 2, the current assets of the Group increased from approximately HK\$90.25 million as at 31 December 2020 to approximately HK\$111.26 million as at 30 June 2021, representing an increase of approximately HK\$21.01 million or 23.28%. The increase in current assets of the Group was the combined effect of (a) the increase in trade and bill receivables of approximately HK\$17.30 million resulting from the increase in sales during HY2021; (b) the increase in deposits, prepayment and other receivables of approximately HK\$9.55 million; and (c) the decrease in inventory of approximately HK\$4.52 million, which was driven by the increase in sales of modified starch and other biochemical products in HY2021. As at 30 June 2021, the Group had bank balance and cash of approximately HK\$4.13 million.

(ii) Non-current liabilities and current liabilities

As set out in table 2, the majority of non-current liabilities of the Group was the convertible bonds, which remained stable. The current liabilities of the Group increased from approximately HK\$149.99 million as at 31 December 2020 to approximately HK\$166.15 million as at 30 June 2021, representing an increase of approximately HK\$16.16 million or 10.77%. The increase in current liabilities was mainly due to (a) the increase in trade payable of approximately HK\$11.59 million due to sourcing of more products to meet the increasing demand from customers; and (b) the increase in borrowings of approximately HK\$5.19 million due to the increase in loan from controlling shareholder to sustain the operation and payment of expenses of the Group.

(iii) Debt position

The Group had total debts of approximately HK\$129.78 million and approximately HK\$138.63 million (including loans from ultimate holding company, borrowings, convertible bonds and lease liabilities) as at 31 December 2020 and 30 June 2021 respectively. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 64.61% as at 30 June 2021, representing a decrease of approximately 1.41% as compared to approximately 66.02% as at 31 December 2020.

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## LETTER FROM IFA

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The following table set out the breakdown of the borrowings of the Group:

	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)
Bank loans	62,945	63,128
Loan from the controlling shareholder	6,732	11,692
Loans from independent third parties	4,085	4,132
	<u>73,762</u>	<u>78,952</u>

Table 3: Breakdown of borrowings of the Group

According to the Interim Report 2021, the bank loans, as set out in table 3, are secured by certain leasehold lands in the PRC recorded in right-of-use assets with aggregate carrying amount of approximately HK\$19.00 million (unaudited) as at 30 June 2021. All bank loans are denominated in Renminbi and arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing with average interest rate at 4.79% (unaudited) per annum as at 30 June 2021 and repayable within one year. The loans from the controlling shareholder and independent third parties are unsecured, arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing at 1% above Hong Kong Prime Rate per annum, repayable on demand and denominated in Hong Kong dollars.

In addition to the borrowings of the Group as set out in table 3, on 27 November 2020, the Company issued the Existing Convertible Bonds with principal amount of HK\$67,000,000, to an independent third party. The Existing Convertible Bonds are convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.025 each of the Company on or after 27 November 2020 up to and including 26 November 2023 at an initial conversion price of HK\$0.12 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 558,333,333 shares per principal amount of the convertible bonds of HK\$67,000,000, which also subject to adjustments upon occurrence of certain events. Should the Existing Convertible Bonds have not been converted, the convertible bonds will be redeemed at par on 27 November 2023. The Existing Convertible Bonds has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date. On 22 October 2021, the Company and the Existing Bondholder have agreed to reduce the interest rate of the Existing Convertible Bonds to 2% per annum and change the conversion price of the Existing Convertible Bonds to HK\$0.05 per Share.

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## LETTER FROM IFA

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In light of the net loss attributable to owners of the Company as mentioned above, as at 30 June 2021, we noted that the Group incurred (i) a significant net debts to total assets of 64.61%; (ii) a low cash level of only approximately HK\$4.13 million; (iii) high current liabilities of approximately HK\$166.15 million; and hence resulting in (iv) going concern issue of the Group. Having considered the financial position of the Group, we concur with the Board's view that the issue of the New Convertible Bonds with a lower interest rate to offset the Shareholder's Loan and the Other Loan can relieve the Group's financial burden by reducing its finance costs (further details are set out in the section headed "(III) Intended use of proceeds and reasons for and benefits of entering into the Subscription Agreement" in this letter) and, therefore, is in the interests of the Company and the Shareholders as whole.

### **(III) Intended use of proceeds and reasons for and benefits of entering into the Subscription Agreement**

#### *(i) Intended use of proceeds*

The gross proceeds from the issue of the New Convertible Bonds are expected to be approximately HK\$21.00 million. The subscription amount payable by Chinese Success under the Subscription Agreements shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder Loan and Other Loan, payable by the Company to Chinese Success and/or its associates which is expected to amount to a total of HK\$21.00 million as at Completion Date.

#### *(ii) Reasons for and benefits of entering into the Subscription Agreement*

According to the Interim Report 2021, the Group had a capital deficiency position of approximately HK\$10.08 million as at 30 June 2021. During the six months ended 30 June 2021, the Group financed its operations mainly by internally generated resources and borrowings which include borrowings, loans from ultimate holding company and undrawn loan facilities from ultimate holding company and convertible bonds. In order to ensure the Group's financial ability to operate as a going concern, the Directors have been implementing various measures including the provision of loan facilities by the ultimate holding company, conducting negotiation with potential investors to raise sufficient funds; and will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

We have reviewed the Interim Report 2021 and noted that, as at 30 June 2021, the Group had total debt of approximately HK\$138.63 million (including loans from ultimate holding company, borrowings, convertible bonds and lease liabilities) and the net debts to total assets ratio, which was calculated by net debts (net of cash and cash equivalents) divided by total assets of the Group, was approximately 64.61%. The Company may not be unable to repay the outstanding borrowings without further external financing given that the bank balances and cash held by the Company was only approximately HK\$4.13 million and the total current liabilities of Group was approximately HK\$166.15 million as at 30 June 2021.



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## LETTER FROM IFA

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Moreover, we note that the Shareholder's Loan, which bears interest at 6.25% per annum together with the Other Loan which is also owed to Chinese Success, represents a heavy financial burden to the Group as the Company had a capital deficit position as at 30 June 2021. Therefore, the Directors are of the view that the financial stress of the Group will be lightened by the savings in finance cost as the proceeds from the Subscription are intended to be applied to offsetting the Shareholder's Loan and Other Loan which carries interest of 6.25% per annum as compared to 2.00% per annum of the New Convertible Bonds. It is estimated that approximately 68% of annual interest expenses incurred from the Shareholder's Loan and Other Loan can be reduced by offsetting the Shareholder's Loan and Other Loan. As a result, the issue of New Convertible Bonds can improve the Group's profitability by reducing its financing costs.

We have also considered the dilution effect of the conversion of the New Convertible Bonds. As illustrated under the headline of "Dilution effects as a result of the proposed issue of New Convertible Bonds Conversion Shares" below, assuming none of the Existing Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to New Convertible Bonds are exercised in full, the shareholding of the Independent Shareholders (in this case, the Existing Bondholder and the public shareholders) will be diluted from approximately 48.76% before full conversion of the New Convertible Bonds to approximately 39.01%, which is not more than 10% of dilution to the shareholding of the Independent Shareholders. Furthermore, the capital deficiency of approximately HK\$10.08 million as at 30 September 2021 will be reduced by approximately HK\$21.00 million resulted in the Group having net assets of approximately HK\$10.92 million and also the total interest charge by the Shareholder's Loan and Other Loan with an annual interest rate of 6.25% for three years amounted to approximately HK\$3.94 million can be saved, representing a total saving of financial burden amounting to approximately HK\$24.94 million, if the New Convertible Bonds are fully converted immediately after the Subscription. Based on the reduced conversion price of the Existing Convertible Bonds and the New Convertible Bonds Conversion Price, the cumulative theoretical dilution (with the meaning ascribed to it in Rule 7.27B of the Listing Rules) of the proposed alteration to the terms of Existing Convertible Bonds and New Convertible Bonds and the issue of the 420,000,000 Conversion Shares assuming the conversion rights attached to the Existing Convertible Bonds and the New Convertible Bonds are exercised in full, is approximately 8.53%.

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## LETTER FROM IFA

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As mentioned under the headline of “Other financing alternatives” below, the Group has difficulties to obtain other external financing given the capital deficit position. In view of (i) the capital deficit position of the Group as at 30 September 2021; (ii) the New Convertible Bonds have less interest charges to the Group; (iii) the principal amount of the Shareholder’s Loan and the Other Loan (together with the accrued interest) will be fully settled upon the exercise in full of the conversion rights of the New Convertible Bonds without requiring any cash outflow; (iv) the New Convertible Bonds shall be accounted for as an equity instrument in the Company’s accounts without immediate dilution effect on the shareholding of the Company; (v) the dilution from the conversion of the New Convertible Bonds; and (vi) the gearing of the Group can be improved upon the conversion of the New Convertible Bonds, the issue of New Convertible Bonds can substantially improve the Group’s capital structure, which in turn enhance the ability of the Group to obtain external financing in the future and conduct business expansion, and we consider the dilution of the shareholding interests of other existing shareholders, which shall be not more than 10%, after full conversion of the New Convertible Bonds is acceptable and is in the best interest of the Company and its shareholders as a whole if the capital deficiency of the Group could be reversed.

***(iii) Fund raising activities of the Company in the past 12 months***

As stated in the Letter from the Board, the Company has not raised fund on any issue of equity securities in the past 12 months immediately before the Latest Practicable Date.

***(iv) Other financing alternatives***

We have discussed with the management of the Company in respect of the consideration of other ways of fund-raising such as debt financing and other equity fund raising method.

***(a) Debt financing***

The Directors have considered that (i) further debt financing may not be available given the Group’s capital deficiency position; and (ii) the cost of debt financing may increase together with additional requirements with asset pledging or guarantees to be provided by the Group. Therefore, the Directors are of the view that the debt financing from financial institutions are of limited accessibility and undesirable effects and such funding method is not in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM IFA

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*(b) Placing of new Shares*

The Directors have considered that given the Group's capital deficiency position, (i) the thin trading volume and the low liquidity of the Shares, the placing agent may face difficulties and take time to seek potential investor(s); (ii) substantial number of Shares are required to be allotted and issued for substantial funding needs, the potential investor(s) may require a substantial placing discount to the trading price of the Shares, and such discount may be more than 20%; (iii) higher cost to arrange a placing of new Shares, as the placing agent would charge commission with reference to certain percentages of the amount of the fund raising; and (iv) the placing of new Shares will cause immediately dilution to the shareholding of existing Shareholders, therefore, rather than conducting placing of new shares, the entering into the Subscription Agreement represents an opportunity for the Company to improve a net liabilities position at a reasonable cost.

*(c) Rights issue or open offer*

With regard to the viability of a rights issue or an open offer, the Directors have considered that given the Group's capital deficiency position, the result of fund raising from a rights issue or an open offer may not be desirable. Furthermore, (i) more documentation is typically required for the rights issue or an open offer; (ii) it generally takes longer time to arrange rights issue or open offer than the Subscription; and (iii) it is more costly to arrange a rights issue or open offer than a subscription as it is expected that the Company would incur higher cost to arrange a rights issue or an open offer as more professional parties would need to be engaged in an open offer or a rights issue.

***Conclusion***

We concur with the Directors' view that the Subscription is a more preferable financing method than the above financing alternatives. In addition, given the capital deficiency position of the Company, we consider that it is difficult for the Company to obtain external financing. Moreover, the Subscription reflects the confidence and commitment of Chinese Success, the controlling shareholder of the Company, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling shareholder of the Company is crucial to ensure the business stability and long-term development of the Group.

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## LETTER FROM IFA

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### (IV) Major terms of the Subscription Agreement

Issuer:	The Company
Subscriber:	Chinese Success
Issue price:	100% of the principal amount
Principal amount:	HK\$21,000,000
Conversion price:	Initially HK\$0.05 per New Convertible Bonds Conversion Share, subject to adjustments
Form and denomination:	The New Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each.

Adjustment events: (a) *Consolidation or sub-division of the Shares*

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the conversion price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.

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## LETTER FROM IFA

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(b) *Capitalisation of profits or reserves*

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), Shares paid up out of distributable profits or reserves and/or share premium account or capital redemption reserve fund issued in lieu of the whole or any part of a relevant cash dividend, being a scrip dividend (but only to the extent that the market value of such Shares exceeds 110% of the amount of such relevant cash dividend or the relevant part thereof), the conversion price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

(c) *Capital distribution*

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such Holders rights to acquire for cash assets of the Company or any of its subsidiaries, the conversion price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A-B}{A}$$

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## LETTER FROM IFA

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where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such right which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of the independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

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## LETTER FROM IFA

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(d) *Issue of Shares for subscription by way of rights*

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price on the date of the announcement of the terms of the offer or grant, the conversion price shall be adjusted by multiplying the conversion price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per share and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holders (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the Convertible Bonds registered in their names that the holders hold out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

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## LETTER FROM IFA

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*(e) (aa) Issue of convertible or exchangeable securities*

If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 90% of the market price on the date of the announcement of the terms of issue of such securities, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price per Share and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.



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## LETTER FROM IFA

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*(bb) Modification of rights of convertible or exchangeable securities*

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (e) are modified so that the total effective consideration per Share (as defined below) initially receivable for such securities shall be less than 90% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

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## LETTER FROM IFA

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Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalization issues and other events normally giving rise to adjustment of the conversion price provided that corresponding adjustment has already been made to the conversion price in respect of such an event.

For the purposes of this paragraph (e), the “total effective consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total effective consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

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## LETTER FROM IFA

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- (f) *Issue of Shares being made wholly for cash at a price less than 90% of the market price per Share*

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue, the conversion price shall be adjusted by multiplying the conversion price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

- (g) If and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined in this paragraph (g) below) which is less than 90% of the market price at the date of the announcement of the terms of such issue, the conversion price shall be adjusted in such manner as may be determined by the independent auditors. Such adjustment shall become effective on the date of issue.

For the purpose of this paragraph (g) “total effective consideration” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “total effective consideration per Share” shall be the total effective consideration divided by the number of Shares issued as aforesaid.

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## LETTER FROM IFA

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Interest rate:	2% per annum accrued on a daily basis of a 365-day year and payable quarterly in arrears.
New Convertible Bonds Conversion Shares:	Based on the principal amount of the New Convertible Bonds of HK\$21,000,000, the New Convertible Bonds is convertible into New Convertible Bonds Conversion Shares at the initial conversion price of HK\$0.05 per New Convertible Bonds Conversion Share (subject to adjustments).
Conversion period:	The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the New Convertible Bonds.
Conversion rights and restrictions :	The holder of the New Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the New Convertible Bonds registered in its name into the New Convertible Bonds Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; and (ii) the exercise of the conversion right attaching to the New Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules.
Early redemption at the option of the Company:	The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) days' notice to the holders of the New Convertible Bonds, propose to the holders to redeem the outstanding New Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding New Convertible Bonds at any time after the date of issue of the New Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the New Convertible Bonds.

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## LETTER FROM IFA

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Ranking of New Convertible Bonds Conversion Shares:	The New Convertible Bonds Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
Maturity date:	The date falling on the third anniversary of the date of issue of the New Convertible Bonds.
Voting rights:	Chinese Success shall not have any right to attend or vote in any general meeting of the Company.
Transferability:	Subject to compliance with the Listing Rules, the New Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by Chinese Success to any party.
Listing:	No application will be made by the Company for the listing of the New Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares.
Security:	The obligations of the Company under the New Convertible Bonds are unsecured.

For details of the principal terms of the Subscription Agreement, please refer to paragraph headed “Principal terms and conditions of the New Convertible Bonds” in the Letter from the Board.

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## LETTER FROM IFA

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In order to assess the fairness and reasonableness of the terms of the Subscription Agreement, we have considered the following factors:

**(V) The New Convertible Bonds Conversion Price**

The New Convertible Bonds Conversion Price of HK\$0.05 per New Convertible Bonds Conversion Share represents:

- (i) the same closing price of HK\$0.05 per Share as quoted on the Stock Exchange as at the Last Trading Day;
- (ii) a discount of approximately 12.3% to the average of the closing prices of HK\$0.057 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 7.4% to the closing price of approximately HK\$0.054 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

For indicative purpose only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement, upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price, a maximum of 420,000,000 New Convertible Bonds Conversion Shares will be allotted and issued, representing approximately 25.0% of the issued share capital of the Company and approximately 20.0% of the issued share capital of the Company as enlarged by the issue of the New Convertible Bonds Conversion Shares upon full conversion of the New Convertible Bonds, assuming that there is no other change to the total number of Shares from Latest Practicable Date.

***Basis of the New Convertible Bonds Conversion Price***

As stated in the Letter from the Board, the Conversion Price was determined after arm's length negotiation between the Company and Chinese Success with reference to the recent trading performance of the Shares on the Stock Exchange. As New Convertible Bonds Conversion Price is the same as the closing price of the Shares on the Last Trading Day and a slight discount to the average closing price of the Shares on the last five trading days leading up to the Last Trading Day, the Directors consider that the New Convertible Bonds Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholder as a whole.

***Evaluation on the basis of the New Convertible Bonds Conversion Price***

In assessing the fairness and reasonableness of the basis of the New Convertible Bonds Conversion Price, we have primarily taken into account (i) the capital deficiency position of the Company as set out in the section headed "Background and financial performance of the Group" above, (ii) the historical Share price performance; (iii) the market comparable in respect of recent issuance of convertible bonds/notes; and (iv) the amended conversion price and interest rate of Existing Convertible Bonds.

## LETTER FROM IFA

### (i) Review on the historical price of the Shares

In order to assess the fairness and reasonableness of the New Convertible Bonds Conversion Price, we have reviewed the chart illustrates the historical daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 3 May 2021 up to and including the Latest Practicable Date (the “**Review Period**”), being the approximately six months prior to the date of Subscription Agreement. We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the recent price movement of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

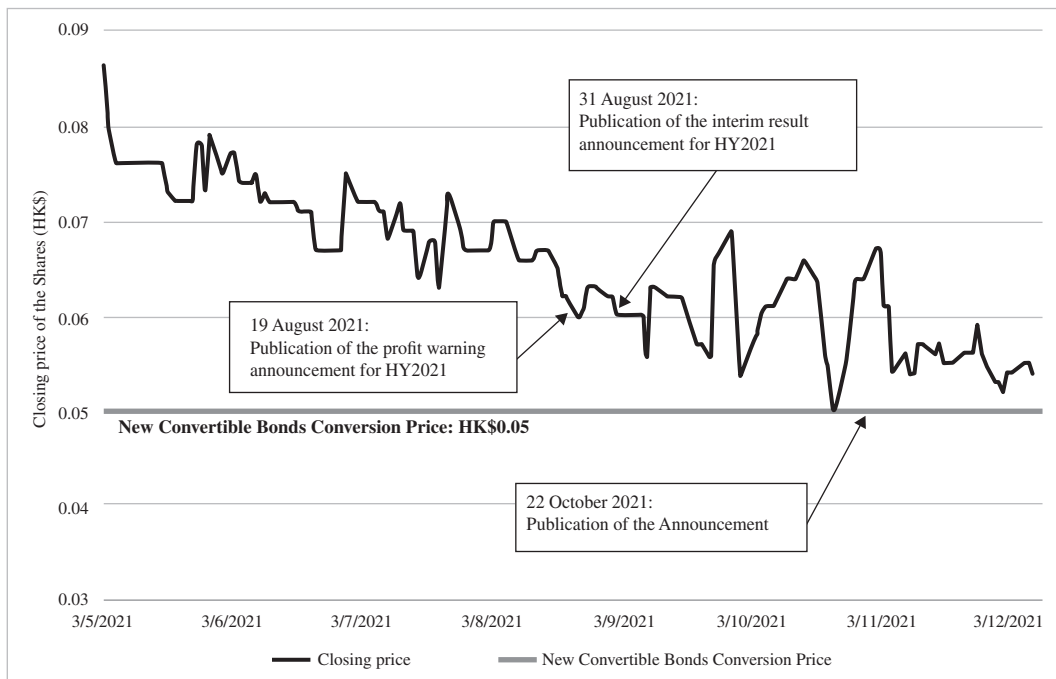


Chart 1: Historical Share price performance of the Company during the Review Period

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

As noted in the above chart 1, during the Review Period, the daily closing prices of the Shares ranged from the lowest of HK\$0.05 per Share on 22 October 2021, to the highest of HK\$0.086 per Share on 3 May 2021 with an average closing price of HK\$0.065 per Share. The New Convertible Bonds Conversion Price of HK\$0.05 is within the said historical price range of Shares during the Review Period. We also note that the New Convertible Bonds Conversion Price represents a discount of approximately 23.08% to the average closing price of HK\$0.065 per Share during the Review Period. However, we consider that the daily closing price per Share during the Review Period demonstrates a downward trend from HK\$0.086 per Share on 3 May 2021 to HK\$0.054 as at the Latest Practicable Date.

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## LETTER FROM IFA

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As stated in the Letter from the Board, the New Convertible Bonds Conversion Price was determined after arm's length negotiation between the Company and the subscriber with reference to the prevailing market price of the Shares. Accordingly, given that (i) the New Convertible Bonds Conversion Price was arrived at between the Company and Chinese Success same as the closing price on the Last Trading Day; and (ii) even though the New Convertible Bonds Conversion Price represents a discount of approximately 23.08% to the average closing price during the Review Period, but given the Hong Kong stock market has been experiencing a substantial downward pressure since February 2021 and the capital deficiency position of the Group, we are of the view that the New Convertible Bonds Conversion Price is fair and reasonable, and the Subscription is in the interests of the Company and the Shareholders as a whole.

*(ii) Comparison with recent issuance of convertible bonds/notes*

To assess the fairness and reasonable of the key terms of the New Convertible Bonds, namely the conversion price, interest rate and duration, we have identified a list of issue and subscription of New Convertible Bonds/notes exercises as announced by companies listed on the Stock Exchange during last three-month prior to and including 22 October 2021, being the date of the Subscription Agreement (the "**Comparable Period**"). We consider that the Comparable Period is appropriate (i) to reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) to provide a general reference of the recent convertible securities transactions being conducted under similar market conditions; and (iii) to generate a reasonable and meaningful number of samples for the purpose of our analysis.

In our assessment, we have searched for companies which (i) are listed on the Stock Exchange; (ii) the transaction involved an issue of convertible securities; and (iii) the duration of the convertible bonds/notes is not perpetual. Based on these criteria and the public information available on the Stock Exchange's website, to the best of our endeavours, we have identified an exhaustive list of a total of 19 convertible securities (the "**Comparable Transactions**"). We consider that the Comparable Transactions were determined under similar market conditions and sentiment, and hence represent fair and representative samples and provide a general reference of this type of transaction in the market. Therefore, we consider them to be an appropriate basis to assess the fairness of the terms of the New Convertible Bonds. We have excluded perpetual convertible bonds/notes in our analysis as they are considered not comparable to the New Convertible Bonds, in terms of the credit risk and interest rate risk incurred from the maturity of the convertible bonds/notes.



## LETTER FROM IFA

Set out below is the Comparable Companies analysis:

Date of announcement	Stock Code	Name of Company	Subscribers are connected person	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the respective date of relevant agreement	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days on the date of the relevant agreement
21 October 2021	1013	Wai Chun Group Holdings Limited	Yes	3	2.00	(11.10)%	(11.10)%
20 October 2021	873	Shimao Services Holdings Limited	No	1	2.25	8.32%	9.89%
19 October 2021	1951	Jinxin Fertility Group Limited	No	1.5	0.75	20.19%	21.63%
5 October 2021	153	China Saite Group Company Limited <i>(Note 1)</i>	Yes	1	5.00	(23.10)%	(22.20)%
5 October 2021	153	China Saite Group Company Limited <i>(Note 1)</i>	Yes	1	5.00	(3.80)%	(2.70)%
5 October 2021	153	China Saite Group Company Limited <i>(Note 1)</i>	Yes	1	5.00	(3.80)%	(2.70)%
24 September 2021	209	Winshine Science Company Limited	No	1	15.00	58.70% <i>(Note 4)</i>	47.10% <i>(Note 4)</i>
23 September 2021	500	Frontier Services Group Limited	No	2	2.50	16.30%	15.70%

## LETTER FROM IFA

Date of announcement	Stock Code	Name of Company	Subscribers are connected person	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the respective date of relevant agreement	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days on the date of the relevant agreement
23 September 2021	1087	InvesTech Holdings Limited	Yes	3	1.50	6.38%	4.31%
20 September 2021	1383	Suncity Group Holdings Limited	Yes	3 (Note 2)	6.00	6.45%	3.13%
15 September 2021	2023	China Ludao Technology Company Limited	No	3	5.87	60.00% (Note 4)	58.70% (Note 4)
13 September 2021	860	Apollo Future Mobility Group Limited	No	3	9.00	1.85%	0.00%
8 September 2021	860	Apollo Future Mobility Group Limited	No	3	9.00	(9.10)%	(4.60)%
7 September 2021	989	Hua Yin International Holdings Limited	Yes	3 (Note 3)	2.00	2.63%	0.52%
1 September 2021	8086	Sino Vision Worldwide Holdings Limited	No	1	1.00	69.49% (Note 4)	66.94% (Note 4)
9 August 2021	559	DeTai New Energy Group Limited	No	2	nil	0.00%	6.88%
30 July 2021	1450	Century Sage Scientific Holdings Limited	No	3	1.00	(71.25)% (Note 4)	(64.17)% (Note 4)

## LETTER FROM IFA

Date of announcement	Stock Code	Name of Company	Subscribers are connected person	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the respective date of relevant agreement	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days on the date of the relevant agreement
23 July 2021	1683	Hope Life International Holdings Limited	No	3	3.00	17.12%	11.11%
22 July 2021	2768	Jiayuan International Group Limited	No	3.5	7.00	6.06%	9.86%
			<b>Maximum</b>	3.5	15.00	20.19%	21.63%
			<b>Minimum</b>	1	nil	(11.10)%	(11.10)%
			<b>Average</b>	2.44	4.24	5.43%	5.61%
<b>21 October 2021</b>		<b>The Group</b>		<b>3</b>	<b>2.00</b>	<b>0.00%</b>	<b>(12.23)%</b>

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

Notes:

- (1) China Saite Group Company Limited (stock code:153) has entered into three note purchase agreements and supplemental agreements with three investors in relation to the issue of three convertible securities on 13 September 2021 and 5 October 2021 respectively. As the trading of the shares of China Saite Group Company Limited has been suspended and the last trading date of the shares of China Saite Group Company Limited was on 19 June 2020, we have excluded China Saite Group Company Limited in our analysis.
- (2) The maturity date of the convertible bonds is the date falling on the third anniversary of the issue date which may, subject to agreement by the holder of the convertible bonds upon request by Suntrust Home Developers, Inc., be extended to the date falling on the sixth anniversary of the issue date. For our analysis purpose, we assume the duration of the convertible bonds is three years.
- (3) According to the announcement of Hua Yin International Holdings Limited (“**Hua Yin**”) dated 22 October 2021, the maturity date of the convertible bonds can be extended for another eighteen months by notice issued by Hua Yin at any time during the three months prior to the original maturity date by serving at least thirty days’ prior written notice to the bondholder(s). For our analysis purpose, we assume the duration of the convertible bonds is three years.

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## LETTER FROM IFA

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(4) As the premium/(discount) of conversion price over/(to) the closing price on the respective date of relevant agreement and the average closing price for the last five consecutive trading days on the respective date of relevant agreement of Winshine Science Company Limited, China Ludao Technology Company Limited, Sino Vision Worldwide Holdings Limited and Century Sage Scientific Holdings Limited exceed two standard deviations from the average of those of other Comparable Transactions, we consider that such conversion prices of the convertible bonds are outliers and have excluded them from our analysis.

(a) *Conversion price*

We note that premium/(discount) of the conversion price over/to the closing price on the respective date of relevant agreement of the Comparable Transactions (after excluding the outliers) ranged from a discount of approximately 11.10% to a premium of approximately 20.19%, with the average being premium of 5.43%. The New Convertible Bonds Conversion Price, which represents the same closing price of HK\$0.05 per Share as quoted on the Stock Exchange on the Last Trading Day, is within the range of the Comparable Transactions.

We also note that the premium/(discount) of the conversion price over/to the average closing price for the respective last five trading days of the Comparable Transactions (after excluding the outliers) ranged from a discount to approximately 11.10% to a premium of approximately 21.63%, with the average being the premium of 5.61%. The New Convertible Bonds Conversion Price, which represents a discount of approximately 12.3% to the average closing price for the last five consecutive trading days up to and including the Last Trading Day, falls out of the range of the Comparable Transactions. However, having considered (i) the New Convertible Bonds Conversion Price represents the same closing price of HK\$0.05 per Share as quoted on the Stock Exchange on the Last Trading Day, which falls within the range of the premium/(discount) to the closing price on the respective date of relevant agreement of Comparable Transactions; (ii) the interest rate of the New Convertible Bonds is below the average of the Comparable Transactions as discussed below; (iii) the daily closing price per Share during the Review Period demonstrates a downward trend as mentioned above; and (iv) the capital deficiency position of the Group, we are of the view that the New Convertible Bonds Conversion Price is fair and reasonable.

(b) *Duration*

As shown in the table above, we note that (i) the duration of the Comparable Transactions ranged from 1 year to 3.5 years with an average duration of 2.44 years; and (ii) out of 16 Comparable Transactions (excluding China Saite Group Company Limited), 9 of them have a duration of three years, which is same as the New Convertible Bonds.

(c) *Interest rate*

As shown in the table above, the interest rates of the Comparable Transactions ranged from nil to 15.00% per annum, with an average of approximately 4.24% per annum. We note that the interest rate of the New Convertible Bonds of 2.00% is within the range of and is below the average of the Comparable Transactions.

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## LETTER FROM IFA

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*(d) Conclusion*

Having considered the above analysis and the reasons as set out in the section headed “(III) Intended use of proceeds and reasons for and benefits of entering into the Subscription Agreement”, we are of the view that the terms of the Subscription Agreement (including the New Convertible Bonds Conversion Price, interest rate and term to maturity of the New Convertible Bonds) are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

*(iii) Amendments to the Existing Convertible Bonds*

As stated in the Letter of Board and the Announcement, on 22 October 2021 (after trading hours), the Company and the Existing Bondholder have agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.12 per Existing Convertible Bonds Conversion Share to HK\$0.05 per Existing Convertible Bonds Conversion Share, which is same as the New Convertible Bonds Conversion Price;
- (ii) the Interest Rates be amended from 4% per annum to 2% per annum, which is same interest rate charged from the New Convertible Bonds;
- (iii) the Existing Convertible Bonds be redeemed at 98% of its principal amount at maturity; and
- (iv) the conversion rights attached to the Existing Convertible Bonds be only exercised on the condition that any conversion of the Existing Convertible Bonds does not: (a) trigger a mandatory general offer obligation on the Existing Bondholders under Rule 26 of the Takeovers Code; and (b) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

We consider that the revised terms of the Existing Convertible Bonds reflect the Existing Bondholder’s and independent third parties’ opinion to the convertible securities issued by the Company in the current market condition. Therefore, we consider the New Convertible Bonds are fair and reasonable and on normal commercial terms.

## LETTER FROM IFA

### (VI) Dilution effects as a result of the proposed issue of New Convertible Bonds Conversion Shares

Set out below the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after full exercise of the conversion rights attaching to New Convertible Bonds and assuming none of the Existing Convertible Bonds are converted; (iii) immediately after the full conversion of the outstanding Existing Convertible Bonds at the Existing Convertible Bonds Conversion Price (assuming there being no other issue or repurchase of Shares); and (iv) immediately after the full conversion of the outstanding Existing Convertible Bonds at the Existing Convertible Bonds Conversion Price and the full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price (assuming there being no other issue or repurchase of Shares) are as follows:

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after full exercise of the conversion rights attaching to New Convertible Bonds and assuming none of the Existing Convertible Bonds are converted <sup>(Note 3)</sup>		(iii) Immediately after full exercise of the conversion rights attaching to the Existing Convertible Bonds and assuming none of the New Convertible Bonds are converted <sup>(Note 3 and Note 5)</sup>		(iv) Immediately after full exercise of the conversion rights attaching to the New Convertible Bonds, and the Existing Convertible Bonds <sup>(Note 3 and Note 5)</sup>		(v) Immediately after full exercise of the conversion rights attaching to the New Convertible Bonds and the Existing Convertible Bonds, subject to public float restriction <sup>(Note 7)</sup>	
	Number of Approximate Shares		Number of Approximate Shares		Number of Approximate Shares		Number of Approximate Shares		Number of Approximate Shares	
		%		%		%		%		%
Chinese Success <sup>(Note 1)</sup>	833,198,432	49.57	1,253,198,432	59.66	833,198,432	27.58	1,253,198,432	36.42	1,063,198,432	32.71
Lam Ching Kui <sup>(Note 2)</sup>	28,004,000	1.67	28,004,000	1.33	28,004,000	0.93	28,004,000	0.81	28,004,000	0.86
	861,202,432	51.24	1,281,202,432	60.99	861,202,432	28.51	1,281,202,432	37.24	1,091,202,432	33.57
Existing Bondholder <sup>(Note 5 and Note 6)</sup>	6,124,400	0.36	6,124,400	0.29	1,346,124,400	44.56	1,346,124,400	39.12	1,346,124,400	41.41
Public Shareholders <sup>(Note 4)</sup>	813,437,705	48.40	813,437,705	38.72	813,437,705	26.93	813,437,705	23.64	813,437,705	25.02
<b>Total</b>	<b>1,680,764,537</b>	<b>100.00</b>	<b>2,100,764,537</b>	<b>100.00</b>	<b>3,020,764,537</b>	<b>100.00</b>	<b>3,440,764,537</b>	<b>100.00</b>	<b>3,250,764,537</b>	<b>100.00</b>

*Notes:*

- (1) Chinese Success, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, the Chairman and executive Director of the Company, Chinese Success Limited holds 833,198,432 Shares.
- (2) Mr. Lam Ching Kui, the Chairman and executive Director of the Company, directly holds 28,004,000 Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) Pursuant to the terms and conditions of the Existing Convertible Bonds, the Existing Bondholder shall not exercise the conversion rights attaching to the Existing Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules.

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## LETTER FROM IFA

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- (5) The Existing Bondholder has 16,270,685 share options under the share option scheme of the Company, representing approximately 0.97% of the existing issued share capital of the Company and approximately 0.54% of the issued share capital of the Company as enlarged by the issue of the Existing Convertible Bonds Conversion Shares upon full conversion of the Existing Convertible Bonds. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 16 July 2018 to 15 July 2023.
- (6) The Existing Bondholder will no longer be public shareholder after the conversion of the Existing Convertible Bonds in full as their respective shareholding in the Company will exceed 10%.
- (7) For indicative purpose, Chinese Success would convert 230,000,000 New Convertible Bonds Conversion Shares to comply with the minimum public float requirement under the Listing Rules.

For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement, upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price, the New Convertible Bonds will be convertible into 420,000,000 Shares, representing approximately 25.0% of the existing issued share capital of the Company and approximately 20.0% of the issued share capital of the Company as enlarged by the issue of the New Convertible Bonds Conversion Shares upon full conversion of the New Convertible Bonds. Assuming none of the Existing Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attached to New Convertible Bonds are exercised in full, the shareholding of the Independent Shareholders (in this case, the Existing Bondholder and the public shareholders) will be diluted from approximately 48.76% before full conversion of the New Convertible Bonds to approximately 39.01% immediately after full conversion of the New Convertible Bonds only. However, as mentioned above, it has been set out in the terms of the New Convertible Bonds that Chinese Success may only convert such number of New Convertible Bonds as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion and according to the Alteration of Terms, the conversion rights attached to the Existing Convertible Bonds shall only be exercised on the condition that any conversion of the Existing Convertible Bonds does not: (a) trigger a mandatory general offer obligation on the Existing Bondholder under Rule 26 of the Takeovers Code; and (b) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

In view of (i) the reasons for and benefits of entering into the Subscription Agreement as set out above; (ii) the terms of the Subscription Agreement and the New Convertible Bonds being fair and reasonable and in the interests of the Shareholders as a whole; and (iii) the restriction of the minimum public float requirement under the Subscription Agreement, we concur with the Board's view that the feasible level of dilution (subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement) to the shareholding interests of the Independent Shareholders is acceptable.

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## LETTER FROM IFA

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### **(VII) Financial effects as a result of the proposed issue of the New Convertible Bonds**

The financial effects of the issue of the New Convertible Bonds by the Company set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the Completion.

#### *(i) Net assets value and gearing*

It is expected that the Subscription will not have an immediate material impact on the net asset value and gearing of the Group. However, the net asset value and gearing of the Group are expected to improve upon conversion of the New Convertible Bonds with the reduction in the overall indebtedness and the increase in total equity of the Group. Assuming the New Convertible Bonds are fully converted immediately after the Subscription, the capital deficiency of approximately HK\$10.08 million as at 30 September 2021 will be reduced by approximately HK\$21.00 million resulted in the Group having net assets of approximately HK\$10.92 million.

#### *(ii) Earnings*

On initial recognition, the New Convertible Bonds shall be recognised as a compound financial instrument with a conversion option, which comprise an equity component and a liability component, on the consolidated financial statements of the Company. The carrying amount of the liability component is first determined by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the New Convertible Bonds as a whole. The liability component of the New Convertible Bonds is subsequent measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. In addition, as the interest rate of the New Convertible Bonds is lower than that of the Shareholder's Loan, it is expected that the Subscription will improve the earnings of the Group by reducing finance costs.

### **RECOMMENDATION**

Having taken into account the principal factors and reasons as discussed above, in particular, the benefits of and reasons for the Subscription, terms of the Subscription Agreement (including the New Convertible Bonds Conversion Price, the interest rate and the duration of the New Convertible Bonds) and dilution and financial effects of the Subscription, we are of the view that although the Subscription Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM IFA

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Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the terms of the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**INCU Corporate Finance Limited**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/ nature of interest	Number of Shares/ underlying shares held	Approximate percentage of shareholdings
Mr. Lam Ching Kui	Beneficial owner	28,004,000 (L)	1.34%
	Interest of controlled corporation	1,253,198,432 (L)	59.65%

The Letter “L” denotes the long position in the Shares

Save as disclosed above, so far as was known to the Directors, 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(s) (within the meaning of Part XV of the SFO) which were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Interests of substantial shareholders and other persons**

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

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares/ underlying shares held</b>	<b>Approximate percentage of shareholdings</b>
Wai Chun Investment Fund ( <i>Note 1</i> )	Interest of controlled corporation	1,253,198,432 (L)	59.65%
Chinese Success ( <i>Note 1</i> )	Beneficial owner	1,253,198,432 (L)	59.65%
Onward Global Investments Limited (“ <b>Onward Global</b> ”) ( <i>Note 2</i> )	Beneficial owner	131,856,000 (L)	7.95%
Wan Yuzhen ( <i>Note 2</i> )	Interest of controlled corporation	131,856,000 (L)	7.95%
Chen Guanyu	Beneficial owner	114,787,370 (L)	6.92%
Fair Concourse Limited (“ <b>Fair Concourse</b> ”) ( <i>Note 3</i> )	Beneficial owner	141,270,400 (L)	8.51%
Mai Xiuqun ( <i>Note 3</i> )	Interest of controlled corporation	141,270,400 (L)	8.51%
South Bright Holdings Limited (“ <b>South Bright</b> ”) ( <i>Note 4</i> )	Beneficial owner	101,723,370 (L)	6.13%
Wan Qianyi ( <i>Note 4</i> )	Interest of controlled corporation	101,723,370 (L)	6.13%

*Notes:*

- (1) Chinese Success Limited is wholly owned by Wai Chun Investment Fund. Mr. Lam Ching Kui, the Chairman and Executive Director of the Company, is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr. Lam Ching Kui is the director of Chinese Success Limited and Wai Chun Investment Fund.
- (2) These 131,856,000 shares of the Company were held by Onward Global which is wholly owned by Wan Yuzhen. For the purpose of SFO, Wan Yuzhen is deemed to be interested in these 131,856,000 shares held by Onward Global.
- (3) The 141,270,400 shares of the Company were held by Fair Concourse Limited which is wholly owned by Mai Xiu Qun. For the purpose of SFO, Mai Xiu Qun is deemed to be interested in these 141,270,400 shares held by Fair Concourse.
- (4) The 101,723,370 shares of the Company were held by South Bright Holdings Limited which is wholly owned by Wan Qian Yi. For the purpose of SFO, Wan Qian Yi is deemed to be interested in these 101,723,370 shares held by South Bright.

The Letter “L” denotes the long position in the Shares

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had, or were deemed to have, an interest or short position in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or was a substantial shareholder of the Company.

### **3. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not terminable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

### **4. DIRECTORS’ INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS**

#### **(a) Director’s interests in contracts**

As at the Latest Practicable Date, there is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

#### **(b) Director’s interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) **Competing business**

As at the Latest Practicable Date, none of Directors and their respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

**5. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given opinion or advice, which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
INCU Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (i) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) had no interests, direct or indirect, in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report or opinion (as the case may be) and reference to its name in the form and context in which they respectively appear.

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as to the loss attributable to owners of the Company of approximately HK\$4,474,000 for the six months ended 30 June 2021 and the decrease in the capital deficiency of the Company from approximately HK\$13 million as at 31 December 2020 to HK\$10 million as at 30 June 2021, there was no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date of which the latest published audited financial statements of the Group were made up.

**7. GENERAL**

- (i) This circular has been printed in English and Chinese; in the event of inconsistency, the English version shall prevail.

**8. DOCUMENTS ON DISPLAY**

The following documents will be available on (i) the website of the Company ([www.0660.hk](http://www.0660.hk)) and (ii) the website of the Stock Exchange ([www.hkex.com](http://www.hkex.com)) during the period of 14 days from the date of this circular:

- (i) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in “Letter from the Independent Board Committee” in this circular;
- (ii) the letter from IFA to the Independent Board Committee and the Independent Shareholders, the text of which is set out in “Letter from IFA” in this circular;
- (iii) the Subscription Agreement; and
- (iv) this circular.

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## NOTICE OF EGM

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# 偉俊生物科技有限公司

## Wai Chun Bio-Technology Limited

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

**(Stock code: 660)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**Meeting**”) of Wai Chun Bio-Technology Limited (the “**Company**”) will be held at 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 24 December 2021 at 11:00 a.m. to consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement dated 22 October 2021 (the “**Subscription Agreement**”) and entered into between the Company and Chinese Success Limited in respect of the issue of convertible bonds in an aggregate principal amount of HK\$21,000,000 (the “**New Convertible Bonds**”) (a copy of which marked “A” has been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose) upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the New Convertible Bonds by the Company in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (c) the allotment and issue of new ordinary shares of HK\$0.025 each in the share capital of the Company (the “**New Convertible Bonds Conversion Shares**”) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the New Convertible Bonds in accordance with the terms and conditions thereof be and are hereby approved;
- (d) conditional upon, among others, the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares, the specific mandate to the directors of the Company (the “**Directors**”) to exercise the powers of the Company for the allotment and issue of the New Convertible Bonds Conversion Shares in accordance with the terms and conditions of the New Convertible Bonds be and is hereby approved; and

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## NOTICE OF EGM

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- (e) any one or more Directors be and are hereby authorised to do all such things and acts as he/she/they may in his/her/their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she/they considers necessary or expedient in his/her/their opinion to implement and/or give effect to the issue of the New Convertible Bonds and the allotment and issue of the New Convertible Bonds Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the New Convertible Bonds.”

2. **“THAT:**

- (a) the terms of the 4% coupon convertible bonds due 2023 issued by the Company on 27 November 2020 in the aggregate principal amount of HK\$67,000,000 (the **“Existing Convertible Bonds”**) be amended as follows (the **“Alteration of terms of the Existing Convertible Bonds”**):
  - (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.12 per ordinary share of HK\$0.25 in the Company (the **“Existing Convertible Bonds Conversion Share”**) to HK\$0.05 per Existing Convertible Bonds Conversion Share, subject to adjustment in accordance with the terms of the Existing Convertible Bonds;
  - (ii) the interest rate of the Existing Convertible Bonds be amended from 4% per annum to 2% per annum;
  - (iii) the Existing Convertible Bonds be redeemed at 98% of its principal amount at maturity; and
  - (iv) the conversion rights attached to the Existing Convertible Bonds be only exercised on the condition that any conversion of the Existing Convertible Bonds does not: (aa) trigger a mandatory general offer obligation on the existing bondholders of the Existing Convertible Bonds under Rule 26 of the Hong Kong Code on Takeovers and Mergers; and (bb) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success Limited) ceasing to be the controlling shareholder of the Company within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (b) any one or more Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 1,340,000,000 Existing Convertible Bonds Conversion Shares (subject to adjustment) which may be issued by the Company upon full exercise of the conversion rights attached to the Existing Convertible Bonds; and



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## NOTICE OF EGM

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- (c) any one or more Directors be and are hereby authorised to do all such acts, deeds and things and to sign and execute all such documents, including under the seal of the Company (where applicable), on behalf of the Company, as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to implement and give effect to the Alteration of terms of the Existing Convertible Bonds.”

On behalf of the Board  
**Wai Chun Bio-Technology Limited**  
**Lam Ching Kui**  
*Chairman and Chief Executive Officer*

Hong Kong, 9 December 2021

*Registered office:*

P.O. Box 31119  
Grand Pavilion  
Hibiscus Bay  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Head office and Principal Place of Business in Hong Kong:*

13/F, Admiralty Centre 2,  
18 Harcourt Road,  
Admiralty,  
Hong Kong.

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
4. The register of members of the Company will be closed from 21 December 2021 to 24 December 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Meeting (or any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates(s) must be lodged with the Company's branch share registrar in Hong Kong at the above address by no later than 4:00 p.m. on 20 December 2021.

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## NOTICE OF EGM

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5. In case a Typhoon Signal No. 8 (or above) or a Black Rainstorm Warning Signal is hoisted but lowered before 7:00 a.m. on 24 December 2021, the Meeting will be held as scheduled at 11:00 a.m. on the same day at the same venue; or a Typhoon Signal No. 8 (or above) or a Black Rainstorm Warning Signal is hoisted or remains hoisted any time after 7:00 a.m. on 24 December 2021, the Meeting will be adjourned to another date to be announced by the Company.
  
6. As at the date of this notice, the Board consists of one executive Director, namely Mr. Lam Ching Kui (Chairman and Chief Executive Officer) and three independent non-executive Directors, namely Mr. Chan Cheuk Ho, Mr. Wan Bo and Mr. Hau Pak Man.