
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Wai Chun Group Holdings 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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偉俊集團控股有限公司*

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

**(I) CONNECTED TRANSACTION:
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE; AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

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



INCU Corporate Finance Limited

The notice convening the special general meeting (the “SGM”) of Wai Chun Group Holdings 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 Tuesday, 28 December 2021 is set out on pages 66 to 68 of this circular.

The proxy form for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM 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 SGM 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 SGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE SGM

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

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

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

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 21 October 2021 in respect of the Subscription Agreement and the transactions contemplated thereunder
“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
“Company”	Wai Chun Group Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“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 Ka Chun) 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
“Conversion Price”	initially HK\$0.048 per Conversion Share, subject to adjustments under the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attaching to the Convertible Bonds to convert the principal amount (or any part(s) thereof) of the Convertible Bonds into Conversion Shares
“Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds by Ka Chun

DEFINITIONS

“Convertible Bonds”	convertible bonds in an aggregate principal amount of HK\$42,700,000 to be issued by the Company and subscribed by Ka Chun pursuant to the Subscription Agreement for the Debt Settlement
“Debt Settlement”	the settlement of the Shareholder’s Loan and the Other Loan
“Director(s)”	the director(s) of the Company
“Existing First Convertible Bonds”	the 4% coupon convertible bonds due 2023 issued by the Company in August 2020 in the aggregate principal amount of HK\$152,000,000 being held by the First Bondholder A and First Bondholder B
“Existing Second Convertible Bonds”	the 4% coupon convertible bonds due 2023 issued by the Company in November 2020 in the aggregate principal amount of HK\$23,480,000 being held by the Second Bondholder A and Second Bondholder B
“First Bondholder A”	Ms. Wan Yuzhen
“First Bondholder B”	Ms. Zhong Lirong
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFA” or “INCUB”	INCUB 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 the Subscription Agreement and the transactions contemplated thereunder
“Independent Board Committee”	an independent board committee comprising 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

DEFINITIONS

“Independent Shareholder(s)”	the Shareholders not required under the Listing Rules to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder at the SGM
“Ka Chun”	Ka Chun Holdings Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 1,554,338,600 Shares as at the date of this announcement, and is wholly-owned by Mr. Lam Ching Kui through Wai Chun Investment Fund, which is also wholly-owned by him
“Last Trading Day”	21 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 Ka Chun
“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\$25,300,000 as at the Completion Date, bearing interest at the rate of 6.25% per annum and repayable upon demand
“PRC”	People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Second Bondholder A”	Ms. Wan Qianyi
“Second Bondholder B”	Ms. Mai Xiuqun
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.1 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 Ka Chun, which is expected to amount to HK\$17,400,000 as at Completion Date, bearing interest at the rate of 6.25% per annum and repayable upon demand
“Specific Mandate”	the specific mandate to the Directors to allot, issue and deal with the Conversion Shares to be proposed for approval as an ordinary resolution of the Independent Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by Ka Chun pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 21 October 2021 entered into between the Company and Ka Chun in relation to the Subscription
“%”	per cent.

COVID-19 PRECAUTIONARY MEASURES AT THE SGM

COVID-19 PRECAUTIONARY MEASURES AT THE SGM

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 SGM 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 SGM 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 SGM venue and be requested to leave the SGM venue.
2. Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no surgical face masks will be provided at the SGM venue and attendees should bring and wear their own surgical face masks.
3. No refreshments will be served to attendees at the SGM.
4. No corporate gifts will be distributed to attendees at the SGM. Attendees are requested to observe and practice good personal hygiene at all times at the venue of the SGM.

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

LETTER FROM THE BOARD



偉俊集團控股有限公司*

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

Executive Director:

Mr. Lam Ching Kui

(Chairman and Chief Executive Officer)

Independent Non-executive Directors:

Mr. Chan Wai Dune

Dr. Wang Wei

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*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,

CONNECTED TRANSACTION: PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

As disclosed in the Announcement, the Company entered into the Subscription Agreement with Ka Chun (a connected person of the Company) pursuant to which Ka Chun conditionally agreed to subscribe for and the Company conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$42,700,000.

The Subscription Shares will be allotted and issued under the Specific Mandate. Completion is subject to the Independent Shareholders' approval at the SGM and the listing approval to be granted by the Listing Committee. The purpose of this circular is to provide you with, among others, (i) details of the Subscription Agreement involving the issue of the Convertible Bonds under the Specific Mandate to be sought at the SGM; (ii) a notice convening the SGM; and (iii) other information as required under the Listing Rules.

* for identification purposes only

LETTER FROM THE BOARD

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

The Subscription Agreement

On 21 October 2021, the Company entered into the Subscription Agreement with Ka Chun (a connected person of the Company) pursuant to which Ka Chun conditionally agreed to subscribe for and the Company conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$42,700,000 under the Specific Mandate.

The Convertible Bonds carry the Conversion Rights to convert into the Conversion Shares at the Conversion Price of HK\$0.048 per Conversion Share (subject to adjustment). The subscription amount payable by Ka Chun under the Subscription Agreement shall be satisfied by Ka Chun offsetting the Shareholder's Loan and the Other Loan against the subscription amount at Completion.

The principal terms of the Subscription Agreement are summarised below:

Date

21 October 2021

Party

- (1) The Company as issuer; and
- (2) Ka Chun as subscriber

Subscription of Convertible Bonds

Pursuant to the Subscription Agreement, Ka Chun conditionally agreed to subscribe for Convertible Bonds with an aggregate principal amount of HK\$42,700,000.

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 SGM 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 Convertible Bonds and the grant of Specific Mandate for the allotment and issue of the Conversion Shares to Ka Chun 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;
- (iii) all necessary consents and approvals required to be obtained on the part of Ka Chun in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

LETTER FROM THE BOARD

- (iv) the Listing Committee granting the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights attached to the 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 Ka Chun 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. Ka Chun 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. Ka Chun may at any time by notice in writing to the Company waive the condition set out in condition (v) 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 Convertible Bonds

Issuer	:	The Company
Subscriber	:	Ka Chun
Aggregate principal amount	:	HK\$42,700,000
Ranking	:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu among themselves and with all existing and future unsubordinated and unsecured obligations of the Company, and shall entitle the holder(s) thereof to receive repayment in priority over the Shareholders.
Issue price	:	100% of the principal amount of the Convertible Bonds

LETTER FROM THE BOARD

- Conversion price : Initially HK\$0.048 per Conversion Share, subject to adjustments.
- Form and denomination : The Convertible Bonds will be issued in registered form in the denomination of HK\$5,000,000 each.
- Adjustment events : If the following events occur, the Conversion Price shall be adjusted:

(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 sub-division 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.

LETTER FROM THE BOARD

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:

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

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.

LETTER FROM THE BOARD

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.

(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.

LETTER FROM THE BOARD

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 conversion or exchange rate or subscription price.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 conversion or exchange rate or the exercise of such subscription rights at the subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

- Conversion Shares : Based on the principal amount of the Convertible Bonds of HK\$42,700,000, the Convertible Bonds is convertible into a total of 889,583,333 Conversion Shares at the initially conversion price of HK\$0.048 per Conversion Share (subject to adjustments).
- Conversion period : The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Convertible Bonds.
- Conversion rights and restrictions : The holder of the 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 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\$5,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than:HK\$5,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attaching to the 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 Convertible Bonds, propose to the holders to redeem the outstanding Convertible Bonds (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds at any time after the date of issue of the Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the Convertible Bonds.

LETTER FROM THE BOARD

- Ranking of Conversion Shares : The 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 Convertible Bonds.
- Voting rights : Ka Chun 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 Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$5,000,000 by Ka Chun to any party.
- Listing : No application will be made by the Company for the listing of the 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 Conversion Shares.
- Security : The obligations of the Company under the Convertible Bonds are unsecured.

LETTER FROM THE BOARD

Conversion Shares

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.048 each (subject to adjustments), a maximum of 889,583,333 Conversion Shares will be allotted and issued which represents:

- (i) approximately 41.6% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 29.4% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change to the total number of Shares from the Latest Practicable Date to the date when the Conversion Rights are exercised in full).

Conversion Price

The Conversion Price of HK\$0.048 (subject to adjustments) per Conversion Share represents:

- (a) a discount of approximately 11.1% to the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a discount of approximately 11.1% to the average closing price of approximately HK\$0.054 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day.

The Conversion Price of HK\$0.048 (subject to adjustments) per Conversion Share was arrived at after arm's length negotiations between the Company and Ka Chun with reference to the recent trading prices of the Shares. The Conversion Price which represents a discount to the closing price of the Shares on the Last Trading Day and the average closing price of the Shares on the last five trading days leading up to the Last Trading Day was because the Company and Ka Chun agreed at a lower interest rate of 2% per annum which would in turn alleviate the future interest burden of the Company.

The Directors (excluding Mr. Lam Ching Kui due to conflict of interests) consider that the Conversion Price is 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 Ka Chun) 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 Convertible Bonds, the Conversion Rights are restricted by the public float requirement under the Listing Rules. In other words, Ka Chun may only convert such number of 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, Ka Chun shall deliver a written conversion notice to the Company setting out the principal amount of Convertible Bonds to be converted into Conversion Shares. Having taken into account the conversion price as adjusted by the occurrence of triggering events as mentioned above (if any), if the issue of the Conversion Shares pursuant to the exercise of the Conversion Rights by Ka Chun would result in the Company to not comply with the minimum public float requirement under the Listing Rules, then the Company shall not allow Ka Chun 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 Conversion Shares

Set out below the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the allotment and issue of the Conversion Shares (assuming full conversion of the Convertible Bonds into the Conversion Shares and that there is no other change in the number of issued Shares from the Latest Practicable date up to the date when the Conversion Rights are exercised in full):

Name of Shareholder	As at the Latest Practicable Date		Immediately after full exercise of the conversion rights of the Convertible Bonds		Immediately after full exercise of the conversion rights attaching to the Convertible Bonds and exercise of the Existing First Convertible Bonds and Existing Second Convertible up to public float limit <small>(note 3 and note 5)</small>		Immediately after full exercise of the conversion rights attaching to the Convertible Bonds, the Existing First Convertible Bonds and Existing Second Convertible without public float restriction <small>(note 6)</small>	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Ka Chun <small>(note 1)</small>	1,554,338,600	72.66	1,554,338,600	26.82	2,443,921,933	56.37	2,443,921,933	36.56
Lam Ching Kui <small>(note 2)</small>	38,481,000	1.80	38,481,000	0.66	38,481,000	0.89	38,481,000	0.58
	1,592,819,600	74.46	1,592,819,600	27.49	2,482,402,933	57.25	2,482,402,933	37.14
First Bondholder A <small>(note 5)</small>	40,221,600	1.88	1,686,054,933	29.10	432,221,600	9.97	1,686,054,933	25.22
First Bondholder B <small>(note 5)</small>	5,836,200	0.27	1,526,669,533	26.34	431,836,200	9.96	1,526,669,533	22.84
Second Bondholder A <small>(note 5)</small>	65,002,600	3.04	310,835,933	5.36	310,835,933	7.17	310,835,933	4.65
Second Bondholder B <small>(note 5)</small>	65,000,000	3.04	308,333,333	5.32	308,333,333	7.11	308,333,333	4.61
Public Shareholders	370,236,248	17.31	370,236,248	6.39	370,236,248	8.54	370,236,248	5.54
Total	2,139,116,248	100.00	5,794,949,580	100.00	4,335,866,247	100.00	6,684,532,913	100.00

LETTER FROM THE BOARD

Notes:

- (1) Ka Chun, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, an executive Director, holds 1,554,338,600 Shares.
- (2) Mr. Lam Ching Kui, the Chairman and executive Director of the Company, directly holds 38,481,000 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 Convertible Bonds, Ka Chun shall not exercise the conversion rights attaching to the 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.
- (5) On 15 October 2021, the Company announced the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible Bonds, in which the Company and the existing Bondholders (including First Bondholder A, First Bondholder B, Second Bondholder A and Second Bondholder B) agreed, among others, to reduce the conversion price from HK\$0.18 to HK\$0.048 per Conversion Share. 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. Accordingly, the Company is applying to the Stock Exchange for approval of the alteration of terms of the Existing First Convertible Bonds and the alteration of terms of the Existing Second Convertible Bonds. The figures in this column assumes the proposed alteration of the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds have taken effect.
- (6) For illustrative purpose only, all the Conversion Rights attached to the Existing First Bonds, Existing Second Convertible Bonds and the proposed issue of Convertible Bonds to Ka Chun are exercised in full without public float restriction.

Dilution and financial effects of the issue of the 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 Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 889,583,333 new Shares, representing approximately 41.59% of the total number of issued Shares and approximately 29.37% of the total number of issued Shares as enlarged by the allotment and issue of the 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 are exercised in full, the existing shareholding of the Independent Shareholders will be diluted from approximately 25.54% before full conversion of the Convertible Bonds to approximately 18.04% immediately after full conversion of the Convertible Bonds. However, as mentioned above, it has been set out in the terms of the Convertible Bonds that Ka Chun may only convert such number of Convertible Bonds that would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.

LETTER FROM THE BOARD

On 15 October 2021, the Company announced the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible Bonds, in which the Company and the existing Bondholders (including First Bondholder A, First Bondholder B, Second Bondholder A and Second Bondholder B) agreed, among others, to reduce the conversion price from HK\$0.18 to HK\$0.048 per Share. Based on the reduced conversion price of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the cumulative theoretical dilution effect of the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible Bonds and the issue of the 889,583,333 Conversion Shares assuming the conversion rights attached to the Existing First Convertible Bonds, the Existing Second Convertible Bonds and the Convertible Bonds are exercised in full is approximately 23.81%.

As disclosed in the interim result announcement of the Company dated 15 October 2021 for the six months ended 30 September 2021, the Company recorded net liabilities of approximately HK\$117,394,000 as at 30 September 2021 and loss attributable to owners of the Company amounted to approximately HK\$26,866,000 for the six months ended 30 September 2021.

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 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 has not conducted any equity fund raising activity in the past twelve-month period immediately preceding the Latest Practicable Date.

Mandate to issue the Conversion Shares

The issue and allotment of the Conversion Shares under the Specific Mandate are subject to the approval of the Independent Shareholders at the SGM.

USE OF PROCEEDS FROM PROPOSED ISSUE OF THE CONVERTIBLE BONDS

The gross proceeds from the issue of the Convertible Bonds are expected to be approximately HK\$42,700,000. The subscription amount payable by Ka Chun 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 Ka Chun and/or its associates which is expected to amount to a total of HK\$42,700,000 as at Completion Date.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in (i) general trading; (ii) sales and integration services by the production of software and provision of solutions and related services; and (iii) the provision of telecommunications infrastructure solution services.

The subscription amount payable by Ka Chun 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 Ka Chun and/or its associates which is expected to amount to a total of HK\$42,700,000 as at 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 together with the Other Loan, which both bear interest at 6.25% per annum without a fixed maturity date owed to the controlling Shareholder (including its ultimate beneficial owner, Mr. Lam Ching Kui), represents a heavy financial burden to the Group. The net liability position of the Company of approximately HK\$117,394,000 as at 30 September 2021 would be greatly reduced by approximately HK\$42,700,000 if all the Conversion Bonds were to be converted into Shares. In addition, the total interest cost of the Convertible Bonds amounts to approximately HK\$854,000 per year as compared to the interest cost of HK\$2,669,000 for the Shareholder's Loan and the Other Loan which represents a saving to the Company of approximately HK\$1,815,000 per year. Assuming all of the conversion rights under the Convertible Bonds, the Existing First Convertible Bonds and the Existing Second Convertible Bonds are exercised in full as at 30 September 2021, the loss attributable to existing Shareholders would be HK\$0.0040 per Share for the six months period ended 30 September 2021 which is 68% lower than the actual loss per Share of HK\$0.0126 for the six months period ended 30 September 2021. In view of the above, the Board and Mr. Lam Ching Kui have 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 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 Convertible Bonds bear a lower interest rate of 2% per annum and will be able to minimize 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 without requiring any cash outflow; and (iii) the issue of the Convertible Bonds does not have an immediate dilution effect on the shareholding of the Company.

On 15 October 2021, the Company, the First Bondholder A, the First Bondholder B, the Second Bondholder A and the Second Bondholder B have agreed to amend certain terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds. The interest rate of the Convertible Bonds is the same as the revised interest rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds.

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

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ka Chun (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 1,554,338,600 Shares, representing approximately 72.66% of the total number of issued Shares. Ka Chun is indirectly wholly-owned by Mr. Lam Ching Kui, the Chairman and an executive Director of the Company who is interested in 38,481,000 Shares personally, representing approximately 1.80% of the total number of issued Shares. Accordingly, Ka Chun 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 SGM by way of poll.

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

THE INDEPENDENT BOARD COMMITTEE

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

SPECIAL GENERAL MEETING

The SGM will be held by the Company at 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m., to consider and if thought fit, to approve, among other things, the entering into of the Subscription Agreement and the transactions contemplated thereunder.

Ka Chun, 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 SGM. As at the Latest Practicable Date, to the best knowledge of the Directors, other than Ka Chun and Mr. Lam Ching Kui and their respective associates, no other Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

The notice of the SGM is set out on pages 66 to 68 of this circular.

LETTER FROM THE BOARD

PROXY ARRANGEMENT

The form of proxy for use at the SGM 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 SGM, 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 SGM or any resumed session.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 December 2021 to 28 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 21 December 2021 are entitled to attend and vote in respect of the resolution to be proposed at the SGM.

RECOMMENDATION

The Independent Board Committee, having considered the advice from IFA, 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 SGM.

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 thereunder (including the grant of the Specific Mandate) to be proposed at the SGM.

The recommendation of the Independent Board Committee is set out on page 26 in this circular and the letter from IFA is set out on pages 27 to 61 in this circular.

VOTE BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and the Bye-laws of the Company, all the votes at the SGM must be taken by poll. The methods of voting by the Shareholders at the SGM 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 SGM. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

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 Group Holdings Limited
Lam Ching Kui
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



偉俊集團控股有限公司*

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

9 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION:
PROPOSED ISSUE OF 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 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 27 to 61 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 the Independent Financial Adviser”, contained in the Circular, we consider that the issue of the Convertible Bonds, the terms of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the 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 SGM in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully
For and on behalf of the
Independent Board Committee
Wai Chun Group Holdings Limited

Mr. Chan Wai Dune
Independent non-executive Director

Dr. Wang Wei
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.



INCUCO 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 Group Holdings Limited*

Dear Sirs and Madams,

CONNECTED TRANSACTION IN RELATION TO PROPOSED ISSUE OF 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 Ka Chun (a connected person of the Company) pursuant to which Ka Chun conditionally agreed to subscribe for and the Company conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$42,700,000 under the Specific Mandate.

As at the Latest Practicable Date, Ka Chun (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 1,554,338,600 Shares, representing approximately 72.66% of the total number of issued Shares. Ka Chun is indirectly wholly-owned by Mr. Lam Ching Kui, the Chairman and an executive Director of the Company who is interested in 38,481,000 Shares personally, representing approximately 1.80% of the total number of issued Shares. Accordingly, Ka Chun 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 SGM by way of poll.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Lam Ching Kui, Ka Chun and their respective associates are required to abstain from voting for the relevant resolutions approving the Subscription Agreement at the SGM. To the best of the information, belief and knowledge of the Directors, save for Ka Chun and its associates, no other Shareholder has any material interest in the Subscription and the grant of the Specific Mandate. Save for Mr. Lam Ching Kui, who is the ultimate beneficial owner of Ka Chun and an executive Director, none of the Directors has material interest in the Subscription and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

Except for being appointed as independent financial adviser by the Company in relation to subscription of perpetual convertible bonds, which has been cancelled on 8 May 2020, 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 Wai Dune and Dr. Wang Wei, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 March 2021 (the “**Annual Report 2021**”) and the interim results announcement of the Company for the six months period ended 30 September 2021 (the “**Interim Results 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 21 October 2021, the Company as an issuer entered into the Subscription Agreement with Ka Chun as a subscriber in relation to, among other things, the proposed issue of the Convertible Bonds under the Specific Mandate. Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and Ka Chun has conditionally agreed to subscribe for, the Convertible Bonds.

Information of the subscriber

Ka Chun, the subscriber, is an investment holding company incorporated in the British Virgin Islands with limited liability and is a controlling shareholder of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) Background and financial performance of the Group

Background of the Group

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

The Group is principally engaged in (i) general trading (the “**General Trading Business**”); (ii) sales and integration services by the production of software and provision of solutions and related services (the “**Sales and Integration Services Business**”); and (iii) the provision of telecommunications infrastructure solution services (the “**Services Income Business**”).

Financial performance of the Group

Set out below is the financial information of the Group for each of the financial years ended 31 March 2020 and 31 March 2021 (“**FY2020**” and “**FY2021**”, respectively) and for the six months ended 30 September 2020 and 30 September 2021 (“**HY2020**” and “**HY2021**”, respectively):

Consolidated financial performance of the Group

	FY2020	FY2021	HY2020	HY2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– Sales and Integration				
Services Business	44,778	2,491	–	41,238
– Services Income Business	11,701	27,829	–	–
– General Trading Business	78,276	129,514	64,797	83,756
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total of revenue	134,755	159,834	64,797	124,994
Profit or (Loss) for the year/period	(25,667)	2,553	(18,136)	(27,298)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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\$60.19 million or 92.89% to approximately HK\$124.99 million, as compared with approximately HK\$64.80 million in HY2020. Table 1 shows that such increase in revenue was mainly attributable to (a) the revival of the Sales and Integration Services Business, which generated revenue of approximately HK\$41.24 million in HY2021, due to the recovery from the impact of COVID-19; and (b) increase in revenue from General Trading Business from approximately HK\$64.80 million in HY2020 to approximately HK\$83.76 million in HY2021 due to the expansion of the General Trading Business in agricultural products since the second half year of FY2021. The Group has been actively developing its customer base of general trading segment. In long term, the development of general trading in agricultural products will generate more sustainable recurring income and improve operating cashflow.

As set out in table 1 above, the Group recorded a consolidated net loss of approximately HK\$27.30 million in HY2021, representing an increase of approximately HK\$9.16 million or 50.50% as compared to the consolidated net loss of approximately HK\$18.14 million in HY2020. With reference to the Interim Results 2021, such increase in net loss was mainly due to the increase of finance costs of approximately HK\$10.16 million or 143.96% to approximately HK\$17.21 million in HY2021, as compared with approximately HK\$7.06 million in HY2020. The increase in finance costs was mainly due to the issue of the Existing First Convertible Bonds and Existing Second Convertible Bonds in August 2020 and November 2020 respectively.

(ii) FY2021 vs FY2020

As set out in table 1 above, the revenue of the Group in FY2021 increased by approximately HK\$25.07 million or 18.60% to approximately HK\$159.83 million, as compared with approximately HK\$134.76 million in FY2020. Table 1 shows that such increase in revenue was mainly attributable to (a) an increase of revenue generated from Services Income Business of approximately HK\$16.13 million or 137.86% to approximately HK\$27.83 million in FY2021, as compared with approximately HK\$11.70 million in FY2020; and (b) an increase of revenue generated from General Trading Business of approximately HK\$51.23 million or 65.44% to approximately HK\$129.51 million in FY2021, as compared with approximately HK\$78.28 million in FY2020, partially offset by the decrease in Sales and Integration Services Business by approximately HK\$42.29 million or 94.44% to approximately HK\$2.49 million in FY2021, as compared with approximately HK\$44.78 million in FY2020. The increase in revenue of Services Income Business and General Trading Business was mainly due to the recovery of the industry that have released the accumulated demands for those computer and communication software from the Group's cloud platform software, internet software system and enterprise application management software and the expansion of general trading of the Group as mentioned above. The decrease in Sales and Integration Services Business was mainly due to the impact of COVID-19, which the Group had recorded no revenue in second half of FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in table 1 above, the Group recorded a consolidated net profit of approximately HK\$2.55 million in FY2021 and the consolidated net loss of approximately HK\$25.67 million in FY2020. With reference to the Annual Report 2021, the turnaround from net loss to net profit in FY2021 was mainly due to the other income from the out-of-court settlement to settle the litigation between the subsidiaries of the Company and the then non-controlling shareholder of Beijing HollyBridge System Integration Company Limited (the “**Beijing HollyBridge**”), which the then non-controlling shareholder agreed to waive the Beijing HollyBridge for the repayment of the advancement of RMB24 million (approximately HK\$27.48 million) and the accrued interest and litigation fee of approximately RMB7.04 million (approximately HK\$8.06 million) made to Beijing HollyBridge.

As a result, despite the net profit for the Group in FY2021, the profit was attributable to non-controlling interests and the loss for FY2021 attributable to owners of the Company was amounted to approximately HK\$17.93 million as compared with the loss for FY2020 attributable to owners of the Company of approximately HK\$28.09 million, which represents an improvement of approximately 36.17%.

Consolidated financial position of the Group

	As at 31 March 2021 <i>HK\$'000</i> (Audited)	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)
Non-current assets		
Property, plant and equipment	1,865	1,442
Right-of-use assets	10,215	6,216
	12,080	7,658
Current assets		
Inventories	2,155	2,137
Trade and other receivables, prepayments and deposits	122,917	100,209
Fixed deposits	300	300
Bank balances and cash	19,405	5,051
	144,777	107,697
Total assets	156,857	115,355

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	As at 31 March 2021 HK\$'000 (Audited)	As at 30 September 2021 HK\$'000 (Unaudited)
Current liabilities		
Trade and other payables	106,724	91,616
Contract liabilities	10,204	2,219
Borrowings	18,984	–
Lease liabilities	8,165	6,290
	144,077	100,125
Non-current liabilities		
Trade and other payables	1,813	1,813
Loans from ultimate holding company	7,498	16,011
Amount due to a director	6,918	17,802
Lease liabilities	2,297	364
Convertible bonds	83,953	96,634
	102,479	132,624
Total liabilities	246,556	232,749
Net current assets	700	7,572
Capital deficiency	(89,699)	(117,394)

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 decreased from approximately HK\$12.08 million as at 31 March 2021 to approximately HK\$7.66 million as at 30 September 2021, representing a decrease of approximately HK\$4.42 million or 36.59%. As stated in the Interim Results 2021, the decrease in non-current assets of the Group was mainly due to depreciation of rights-of-use assets of approximately HK\$4.00 million.

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As set out in table 2, the current assets of the Group decreased from approximately HK\$144.78 million as at 31 March 2021 to approximately HK\$107.70 million as at 30 September 2021, representing a decrease of approximately HK\$37.08 million or 25.61%. The decrease in current assets of the Group was mainly due to (a) the decrease of trade and other receivables of approximately HK\$22.71 million as the credit terms granted to trade customers in respect of General Trading Business in general are shorter than Sales and Integration Services Business and Services Income Business, which is in line with the segment information of the revenue of Group as shown in the table 1; and (b) decrease of bank balances and cash of approximately HK\$14.36 million mainly due to the repayment of borrowings. As at 30 September 2021, the Group had bank balance and cash of approximately HK\$5.05 million.

(ii) Non-current liabilities and current liabilities

As set out in table 2, the current liabilities of the Group decreased from approximately HK\$100.13 million as at 31 March 2021 to approximately HK\$144.08 million as at 30 September 2021, representing a decrease of approximately HK\$43.95 million or 30.50%, the decrease in current liabilities was mainly due to the repayment of the borrowings and payment made to the trade creditors.

As set out in table 2, the non-current liabilities of the Group increased from approximately HK\$102.48 million as at 31 March 2021 to approximately HK\$132.63 million as at 30 September 2021, representing an increase of approximately HK\$30.15 million or 29.42%. The increase in non-current liabilities of the Group was mainly due to (a) the increase in the amount of loans from ultimate holding company from approximately HK\$7.50 million as at 31 March 2021 to approximately HK\$16.01 million as at 30 September 2021; and (b) the increase in the amount due to a director from approximately HK\$6.92 million as at 31 March 2021 to approximately HK\$17.80 million as at 30 September 2021, which both provide necessary funds to the Group to meet its liabilities and to pay financial obligations to third parties.

(iii) Debt position

The Group had total debts of approximately HK\$127.82 million and approximately HK\$137.10 million (including borrowing, loans from ultimate holding company, amount due to a director, convertible bonds and lease liabilities) as at 30 September 2021 and 31 March 2021 respectively. Except borrowings, all of these debts are interest bearing or carried in an interest rate implicit in the lease liabilities. The Group had no assets pledged as at 30 September 2021. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 114.2% as at 30 September 2021, representing an increase of approximately 45.3% as compared to approximately 68.9% as at 31 March 2021.

The loans from ultimate holding company are subordinated in nature which were unsecured, interest bearing at 6.25% and not repayable within one year. The amount due to a director is unsecured, and interest bearing at 6.25% and not repayable within one year. The convertible bonds represent the Existing First Convertible Bonds and Existing Second Convertible Bonds, which were issued on 31 August 2020 with principal amount of HK\$152 million and on 30 November 2020 with principal amount of HK\$23.48 million respectively.

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According to the Annual Report 2021, the Existing First Convertible Bonds is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company on or after 31 August 2020 up to and including 30 August 2023. The maximum number of ordinary shares of the Company can be converted is 8,444,444,444 shares per principal amount of the Existing First Convertible Bonds of HK\$152,000,000, which also subject to adjustments upon occurrence of certain events. The Existing Second Convertible Bonds is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.1 each of the Company on or after 30 November 2020 up to and including 29 November 2023. The maximum number of ordinary shares of the Company can be converted is 130,444,444 shares per principal amount of the Existing Second Convertible Bonds of HK\$23,480,000, which also subject to adjustments upon occurrence of certain events.

The Existing First Convertible Bonds and Existing Second Convertible Bonds had coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date. As stated in the Letter from the Board, the Company, on 15 October 2021, the Company, the First Bondholder A, the First Bondholder B, the Second Bondholder A and the Second Bondholder B agreed, among others, to reduce the conversion price from HK\$0.18 to HK\$0.048 per Conversion Share and the revised interest rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds will be same as the interest rate of the Convertible Bonds.

In light of the above historical financial performance of the Group, as at 30 September 2021, we note that the Group incurred (i) high net debt to total assets of 114.2%; (ii) a low cash level of only HK\$5.05 million; (iii) high current liabilities of approximately HK\$100.13 million; and hence resulting in (iv) going concern issue of the Group. From the perspective of historical financial performance, we concur with the Board's view that the issue of the 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 Convertible Bonds are expected to be approximately HK\$42.70 million. The subscription amount payable by Ka Chun under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interests under the Shareholder's Loan and the Other Loan payable by the Company to Ka Chun and/or its associates which is expected to amount to HK\$42.70 million as at Completion Date.

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

According to the Interim Results 2021, the Group has recorded a loss of approximately HK\$27.30 million in HY2021 and a net liabilities position of approximately HK\$117.39 million as at 30 September 2021. In view of that, the management has devoted its effort to enhance operational efficiency by removing duplication and bottlenecks through standardisation of work procedures and simplification of operation process and further tighten its budgetary control by vigorously implementing measures for cost and expense control, optimising cost analysis and appraisal mechanism and constantly strengthening cost management. It also stated that the Company has been actively identifying projects with growth potential for acquisition or investment and has been in discussions with various independent third parties for such acquisition or investment. Meanwhile, the Company intends to enrich and improve its financial resources by conducting fund raising exercises such as share placement or loan capitalisation, when necessary.

We have reviewed on the Interim Results 2021 and noted that, as at 30 September 2021, the Group had total debts of approximately HK\$127.82 million (including borrowing, loans from ultimate holding company, amount due to a director, 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 114.2%. The bank balances and cash held by the Company as at 30 September 2021 was approximately HK\$5.05 million, which the Company is unable to repay the outstanding loans without further external financing.

Moreover, as disclosed in the Letter from the Board, the Shareholder's Loan, which bears 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 Group has a capital deficit of HK\$117,394,000 as at 30 September 2021. Therefore, the Directors are of the view that the financial burden of the Convertible Bonds 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 which carries interest of 6.25% per annum as compared to 2.00% per annum of the Convertible Bonds. It is estimated that approximately HK\$1.81 million of annual interest expenses can be reduced by offsetting the Shareholder's Loan. As a result, the issue of Convertible Bonds can improve the Group's profitability by reducing its financing costs.

We consider that the gearing of the Group can be improved upon the conversion of the Convertible Bonds. For illustrative purposes only, assuming the full conversion of Convertible Bonds immediately after the Subscription, the capital deficiency of approximately HK\$117.39 million as at 30 September 2021 will be reduced by approximately HK\$42.70 million, together with the interest savings of approximately HK\$8.01 million (i.e. the total interest charged by the Shareholder's Loan and Other Loan in three years), representing a total saving of financial burden amounting to approximately HK\$50.71 million or a reduction of approximately 43.20% of the capital deficiency of the Group.

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We have also considered the dilution effect of the conversion of the Convertible Bonds. As illustrated under the headline of “Dilution effects as a result of the proposed issue of Conversion Shares” below, assuming 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 are exercised in full, the shareholding of the Independent Shareholders will be diluted from approximately 25.54% before full conversion of the Convertible Bonds to approximately 18.04% immediately after full conversion of the Convertible Bonds only. On 15 October 2021, the Company announced the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible Bonds, in which the Company and the existing Bondholders (including First Bondholder A, First Bondholder B, Second Bondholder A and Second Bondholder B) agreed, among others, to reduce the conversion price from HK\$0.18 to HK\$0.048 per Share. Based on the reduced conversion price of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the cumulative theoretical dilution effect (with the meaning ascribed to it in Rule 7.27B of the Listing Rules) of the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible Bonds and the issue of the 889,583,333 Conversion Shares assuming the conversion rights attached to the Existing First Convertible Bonds, the Existing Second Convertible Bonds and the Convertible Bonds are exercised in full is approximately 23.81%. However, it has been set out in the terms of the Convertible Bonds that the subscriber may only convert such number of Convertible Bonds that would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion. Therefore, the dilution effect to the shareholding of the existing shareholders will be minimal upon the conversion of the Convertible Bonds under the restriction of the minimum public float requirement under the terms of the Subscription Agreement.

In view of (i) the capital deficit position of the Group; (ii) the Convertible Bonds have less interest charges to the Group; (iii) the 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; (iv) the restriction of the minimum public float requirement under the terms of the Subscription Agreement; and (v) the gearing of the Group can be improved upon the conversion of the Convertible Bonds, we consider the issue of 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 the dilution effect of the Convertible Bonds is acceptable.

(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.

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(a) Debt financing

The Directors have considered that (i) further debt financing may not be available given that 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.

(b) Placing of new Shares

The Directors have considered that given that 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 the 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 capital deficiency 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 that the Group's capital deficiency position, 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 Ka Chun, 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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(IV) Major terms of the Subscription Agreement

Issuer:	The Company
Subscriber:	Ka Chun
Aggregate principal amount:	HK\$42,700,000
Ranking:	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu among themselves and with all existing and future unsubordinated and unsecured obligations of the Company, and shall entitle the holder(s) thereof to receive repayment in priority over the Shareholders
Issue Price:	100% of the principal amount of the Convertible Bonds
Conversion Price:	Initially HK\$0.048 per Conversion Share, subject to adjustments
Form and denomination:	The Convertible Bonds will be issued in registered form in the denomination of HK\$5,000,000 each
Adjustment events:	If the following events occur, the Initial Conversion Price shall be adjusted: (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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(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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(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.

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Provided that (a) 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 (b) 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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- (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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- (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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(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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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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- (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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Interest rate:	2% per annum accrued on a daily basis of a 365-day year and payable quarterly in arrears.
Conversion Shares:	Based on the principal amount of the Convertible Bonds of HK\$42,700,000, the Convertible Bonds is convertible into a total of 889,583,333 Conversion Shares at the Conversion Price of HK\$0.048 per Conversion Share (subject to adjustments).
Conversion period:	The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Convertible Bonds.
Conversion rights and restrictions:	The holder of the 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 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\$5,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than:HK\$5,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attaching to the 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 Convertible Bonds, propose to the holders to redeem the outstanding Convertible Bonds (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds at any time after the date of issue of the Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the Convertible Bonds.

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Ranking of Conversion Shares:	The 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 Convertible Bonds.
Voting rights:	The Subscriber 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 Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$5,000,000 by the Subscriber to any party.
Listing:	No application will be made by the Company for the listing of the 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 Conversion Shares.
Security:	The obligations of the Company under the 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 Convertible Bonds” in “Letter from the Board” to the Circular.

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

(V) The Conversion Price

The Conversion Price of HK\$0.048 per Conversion Share represents:

- (i) a discount of approximately 11.1% to the closing price of HK\$0.054 per Share as quoted on the Last Trading Day;
- (ii) a discount of approximately 11.1% to the average of the closing prices of HK\$0.054 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and

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- (iii) a discount of approximately 26.2% to the closing price of approximately HK\$0.065 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 Convertible Bonds at the Conversion Price, a maximum of 889,583,333 Conversion Shares will be allotted and issued, representing approximately 41.6% of the issued share capital of the Company and approximately 29.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds, assuming that there is no other change to the total number of Shares from Latest Practicable Date.

Basis of the Conversion Price

As stated in the Letter from the Board, the Conversion Price was determined after arm's length negotiation between the Company and Ka Chun with reference to the prevailing market price of the Shares. The Conversion Price which represents a discount to the closing price of the Shares on the Last Trading Day and the average closing price of the Shares on the last five trading days leading up to the Last Trading Day was because the Company and Ka Chun agreed at a lower interest rate of 2% per annum which would in turn alleviate the future interest burden of the Company. The Directors consider that the 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 Conversion Price

In assessing the fairness and reasonableness of the basis of the 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 First Convertible Bonds and Existing Second Convertible Bonds.

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(i) Review on the historical price of the Shares

In order to assess the fairness and reasonableness of the 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:

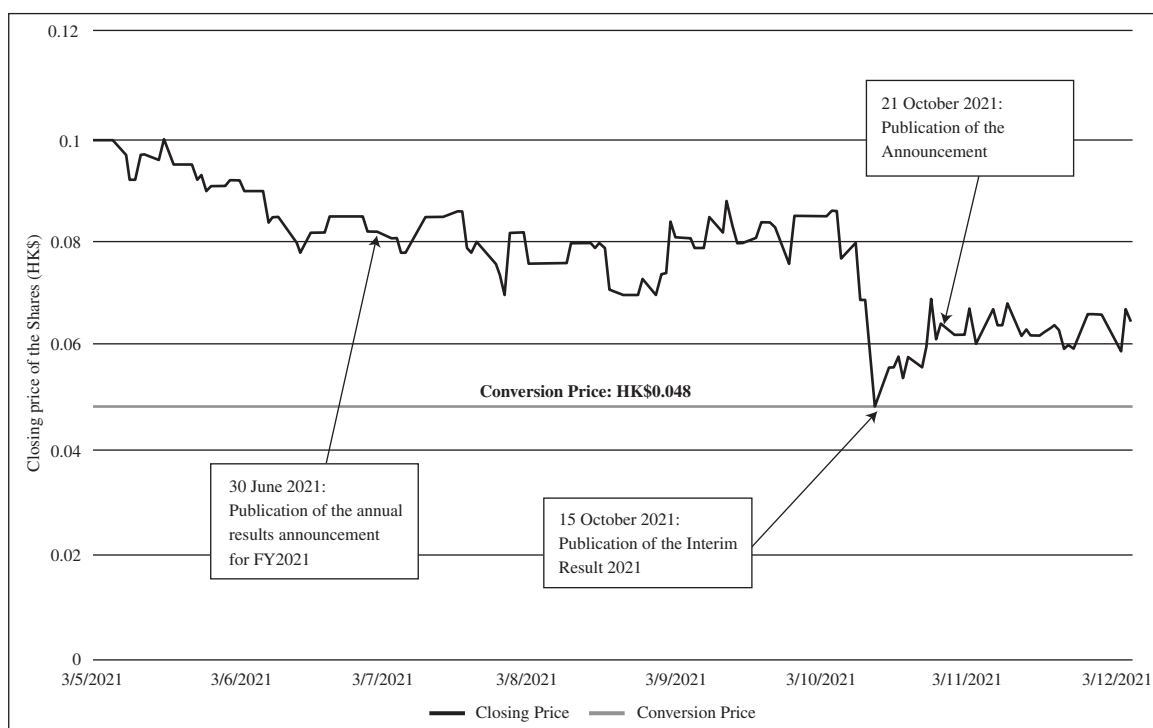


Chart 1: Historical Share price performance of the Company during the Review Period

Source: website of the Stock Exchange (www.hkex.com.hk)

As noted in the above chart 1, during the Review Period, the daily closing prices of the Shares ranged from the lowest of HK\$0.048 per Share on 15 October 2021, to the highest of HK\$0.100 per Share on 3 May 2021 with an average closing price of HK\$0.078 per Share. The Conversion Price of HK\$0.048 is within the said historical price range of Shares during the Review Period. We also note that the Conversion Price represents a discount of approximately 38.46% to the average closing price of HK\$0.078 per Share during the Review Period. However, we consider that the daily closing price per Share during the Review Period demonstrates a downward trend.

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As stated in the Letter from the Board, the 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 Conversion Price was arrived at between the Company and Ka Chun with a discount of 11.1% to the closing price on the Last Trading Day; and (ii) even though the Conversion Price represents a discount of approximately 38.46% to the average closing price during the Review Period, but given Hong Kong stock market has been experiencing a substantial downward pressure since February 2021 and the financial performance and high gearing of the Group, we are of the view that the 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 Convertible Bonds, namely the conversion price, interest rate and term to maturity, we have identified a list of issue and subscription of convertible bonds/notes exercises as announced by companies listed on the Stock Exchange during last three-month prior to and including 21 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 attempted to identify 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 18 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 Convertible Bonds. We have excluded perpetual convertible bonds /notes in our analysis as they are considered not comparable to the Convertible Bonds, in terms of the credit risk and interest rate risk incurred from the maturity of the convertible bonds/notes.

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Set out below is the Comparable Transactions 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 average closing price for the last five consecutive trading days on the date of the 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
						8.32%	9.89%
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%
23 September 2021	1087	InvesTech Holdings Limited	Yes	3	1.50	6.38%	4.31%

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Date of announcement	Stock Code	Name of Company	Subscribers are connected person	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/	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	(to) the average closing price for the last five consecutive trading days on the date of the relevant agreement
20 September 2021	1383	Suncity Group Holdings Limited	Yes	3 <i>(Note 2)</i>	6.00	6.45%	3.13%
15 September 2021	2023	China Ludao Technology Company Limited	No	3	5.87	60.00% <i>(Note 6)</i>	58.70% <i>(Note 6)</i>
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 <i>(Note 3)</i>	2.00	2.63%	0.52%
1 September 2021	8086	Sino Vision Worldwide Holdings Limited	No	1	1.00	69.49% <i>(Note 4)</i>	66.94% <i>(Note 4)</i>
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)% <i>(Note 4)</i>	(64.17)% <i>(Note 4)</i>

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Date of announcement	Stock Code	Name of Company	Subscribers are connected person	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/	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	(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%
		Maximum		3.5	15.00	20.19%	21.63%
		Minimum		1	nil	(9.10)%	(4.60)%
		Average		2.4	4.39	6.93%	7.13%
21 October 2021		The Group		3	2.0	(11.10)%	(11.10)%

Source: website of the Stock Exchange (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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- (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 Luda 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 9.10% to a premium of approximately 20.19%, with the average being premium of 6.93%. The premium/(discount) of the conversion price over/to the average closing price for the respective last five trading days of the Comparable Transactions ranged from a discount to approximately 4.60% to a premium of approximately 21.63%, with the average being the premium of 7.13%.

We also note that the discount of approximately 11.1% represented by the Conversion Price over (i) the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of HK\$0.054 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, falls out of the range of the premium/(discount) to the closing price on the respective date of relevant agreement and average closing price for the respective last five trading days of the Comparable Transactions.

However, having consider that (i) the Conversion Price was determined after arm's length negotiation between the Company and Ka Chun with reference to the prevailing market price of the Shares; (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; (iv) the capital deficiency position of the Group; and (v) 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" above, we consider that the Conversion Price is fair and reasonable and in the interests of the Company and its shareholders as a whole.

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(b) Duration and interest rate

The interest rates of the Comparable Transactions ranged from nil to 15.00% per annum, with an average of approximately 4.39% per annum. We note that the interest rate of the Convertible Bonds of 2.00% is within the range of the Comparable Transactions. As shown in the table above, the maturity of the Comparable Transactions ranged from 1 year to 3.5 years. We also note that the convertible securities offered with maturity of 3 years are common in the market during the Review Period, which 8 out of 15 Comparable Transactions (excluding China Saite Group Company Limited) offered the same duration as the Convertible Bonds. Therefore, we consider the interest rate of 2.00% and maturity of 3 years of the Convertible Bonds are fair and reasonable.

(c) Conclusion

Based on the above, we are of the view that the terms of the Subscription Agreement (including the Conversion Price, interest rate and term to maturity of the Convertible Bonds) are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

(iii) Amendments to the Existing First Convertible Bonds and Existing Second Convertible Bonds

On 15 October 2021, the Company announced the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible Bonds, in which the Company and the existing Bondholders (including First Bondholder A, First Bondholder B, Second Bondholder A and Second Bondholder B), agreed, among others, to reduce the conversion price from HK\$0.18 to HK\$0.048 per Conversion Share (i.e. same as the Conversion Price) and reduce the interest rate from 4.0% per annum to 2.0% per annum (i.e. the same as the interest rate of the Convertible Bonds).

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

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(VI) Dilution effects as a result of the proposed issue of Conversion Shares

For illustration purposes only, 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 the Convertible Bonds only; (iii) immediately after full exercise of the conversion rights attaching to the Convertible Bonds, the Existing First Convertible Bonds and Existing Second Convertible Bonds (assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights are exercised in full); and (iv) immediately after full exercise of the conversion rights attaching to the Convertible Bonds and exercise of the Existing First Convertible Bonds and Existing Second Convertible up to public float limit (assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights are exercised) is as follows:

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after full exercise of the conversion rights attaching to the Convertible Bonds only <i>(Note 3)</i>		(iii) Immediately after full exercise of the conversion rights attaching to the Convertible Bonds, the Existing First Convertible Bonds and Existing Second Convertible Bonds <i>(Note 3 and Note 5)</i>		(iv) Immediately after full exercise of the conversion rights attaching to the Convertible Bonds and exercise of the Existing First Convertible Bonds and Existing Second Convertible up to public float limit	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
	Ka Chun <i>(Note 1)</i>	1,554,338,600	72.66	2,443,921,933	80.69	2,443,921,933	36.56	2,443,921,933
Mr. Lam Ching Kui <i>(Note 2)</i>	38,481,000	1.80	38,481,000	1.27	38,481,000	0.58	38,481,000	0.89
	1,592,819,600	74.46	2,482,402,933	81.96	2,482,402,933	37.14	2,482,402,933	57.25
First Bondholder A <i>(Note 5 and Note 6)</i>	40,221,600	1.88	40,221,600	1.33	1,686,054,933	25.22	432,221,600	9.97
First Bondholder B <i>(Note 5 and Note 6)</i>	5,836,200	0.27	5,836,200	0.19	1,526,669,533	22.84	431,836,200	9.96
Second Bondholder A	65,002,600	3.04	65,002,600	2.15	310,835,933	4.65	310,835,933	7.17
Second Bondholder B	65,000,000	3.04	65,000,000	2.15	308,333,333	4.61	308,333,333	7.11
Other Public Shareholders <i>(Note 4)</i>	370,236,248	17.31	370,236,248	12.22	370,236,248	5.54	370,236,248	8.54
Total	2,139,116,248	100.00	3,028,699,581	100.00	6,684,532,915	100.00	4,335,866,247	100.00

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Notes:

- (1) Ka Chun, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, an executive Director, holds 1,554,338,600 Shares.
- (2) Mr. Lam Ching Kui, the Chairman and executive Director of the Company, directly holds 38,481,000 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 Convertible Bonds, Ka Chun shall not exercise the conversion rights attaching to the 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.
- (5) On 15 October 2021, the Company announced the proposed alteration to the terms of Existing First Convertible Bonds and Existing Second Convertible bonds, in which the Company and the existing Bondholders (including First Bondholder A, First Bondholder B, Second Bondholder A and Second Bondholder B) agreed, among others, to reduce the conversion price from HK\$0.18 to HK\$0.048 per Conversion Share. 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. Accordingly, the Company is applying to the Stock Exchange for approval of the alteration of terms of the Existing First Convertible Bonds and the alteration of terms of the Existing Second Convertible Bonds. The figures in this column assumes the proposed alteration of the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds have taken effect.
- (6) First Bondholder A and First Bondholder B will no longer be public shareholder after the conversion of the First Convertible Bonds in full as their respective shareholding in the Company will exceed 10%.

We have discussed with the Company and the Company has confirmed that the First Bondholder A and First Bondholder B may not be able to convert the Existing First Convertible Bonds in full in view of the restriction on conversion if the Company encounters insufficient public float based on the new conversion price, the First Bondholder A and First Bondholder B may convert up to approximately HK\$62 million in principal amount of the Existing First Convertible Bonds and on the basis that the Second Bondholder A and Second Bondholder B convert the full outstanding amount of the Existing Second Convertible Bonds. Upon maturity of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, which are not due until 2023, the Board may finance the repayment of the relevant bonds through other fund raising activities, including debt or equity financing. As at the Latest Practicable Date, no definitive plan of refinancing of the Existing First Convertible Bonds and the Existing Second Convertible Bonds has been made by the Board.

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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 Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 889,583,333 Shares, representing approximately 41.6% of the existing issued share capital of the Company and approximately 29.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds. Assuming 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 are exercised in full, the shareholding of the Independent Shareholders will be diluted from approximately 25.54% before full conversion of the Convertible Bonds to approximately 18.04% immediately after full conversion of the Convertible Bonds only assuming that there is no other change to the total number of Shares from Latest Practicable Date. However, as mentioned above, it has been set out in the terms of the Convertible Bonds that the subscriber may only convert such number of Convertible Bonds that would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.

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 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 terms of 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.

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

The financial effects of the issue of the 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 Convertible Bonds, given the reduction in the Group's overall indebtedness. For illustrative purposes only, assuming the full conversion of Convertible Bonds immediately after the Subscription, the capital deficiency of approximately HK\$117.39 million as at 30 September 2021 will be reduced by approximately HK\$42.70 million.

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(ii) Earnings

On initial recognition, the 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 Convertible Bonds as a whole. The liability component of the Convertible Bonds is subsequently 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 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 reduction of 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 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.

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 SGM for approving the terms of the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCUCorporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUCorporate 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	38,481,000 (L)	1.27%
	Interest of controlled corporation	2,443,921,933 (L)	80.69%

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:

Name of Shareholder	Capacity/nature of interest	Number of Shares/ underlying shares held	Approximate percentage of shareholdings
Wai Chun Investment Fund	Interest of controlled corporation	2,443,921,933 (L)	80.69%
Ka Chun	Beneficial owner	2,443,921,933 (L)	80.69%
First Bondholder A	Beneficial owner	481,308,488 (L)	16.13%
First Bondholder B	Beneficial owner	411,391,755 (L)	13.79%

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 Enlarged Group which does not expire or is not terminable by the relevant member of the Enlarged 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 was 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 March 2021, 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:

Name	Qualification
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 March 2021, 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\$26,866,000 for the six months ended 30 September 2021 and the increase in the capital deficiency of the Company from approximately HK\$90 million as at 31 March 2021 to HK\$117 million as at 30 September 2021 which were disclosed in the interim results announcement of the Company dated 15 October 2021, there was no material adverse change in the financial or trading position of the Group since 31 March 2021, being the date of which the latest published audited financial statements of the Group were made up.

7. GENERAL

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.1013.hk) and (ii) the website of the Stock Exchange (www.hkex.com.hk) 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 the Independent Financial Adviser” in this circular;
- (iii) the Subscription Agreement; and
- (iv) this circular.

NOTICE OF SGM



偉俊集團控股有限公司*

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**Meeting**”) of Wai Chun Group Holdings Limited (the “**Company**”) will be held at 13/F, Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 28 December 2021 at 11:00 a.m. to consider and, if thought fit, pass (with or without modification) the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the subscription agreement dated 21 October 2021 (the “**Subscription Agreement**”) and entered into between the Company and Ka Chun Holdings Limited in respect of the issue of convertible bonds in an aggregate principal amount of HK\$42,700,000 (the “**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 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\$0.1 each in the share capital of the Company (the “**Conversion Shares**”) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the 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 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 Conversion Shares in accordance with the terms and conditions of the Convertible Bonds be and is hereby approved; and

* for identification purposes only

NOTICE OF SGM

- (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 Convertible Bonds and the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds.”

On behalf of the Board
Wai Chun Group Holdings Limited
Lam Ching Kui
Chairman and Chief Executive Officer

Hong Kong, 9 December 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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.

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4. The register of members of the Company will be closed from 22 December 2021 to 28 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 21 December 2021.
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 28 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 28 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 two independent non-executive Directors, namely Mr. Chan Wai Dune and Dr. Wang Wei.