
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 you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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The circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



偉俊生物科技股份有限公司

Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 660)

**(I) CONNECTED TRANSACTIONS:
(1) PROPOSED ISSUE OF NEW CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE; AND
(2) PROPOSED ALTERATION TO THE TERMS OF
EXISTING CONVERTIBLE BONDS;
(II) PROPOSED SHARE CONSOLIDATION;
(III) RE-ELECTION OF DIRECTOR;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



INCUB Corporate Finance Limited

The notice convening the EGM of the Company to be held at 13/F., Admiralty Centre, Tower 2, 18 Harcourt Road, Admiralty, Hong Kong at 10:30 a.m. on Friday, 10 March 2023 is set out on pages 109 to 114 of this circular.

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

PRECAUTIONARY MEASURES

Precautionary measures are taken to safeguard the health and safety of Shareholders and attendees, and to prevent and control the spread of novel coronavirus (COVID-19) at the EGM, including:

- Compulsory body temperature checks for each attendee. Anyone with a body temperature above 37.5 degrees may be denied entry into the venue of the EGM, at the absolute discretion of the Company as permitted by law.
- Compulsory wearing of surgical face masks for each attendee and maintaining a safe distance between seats.
- No souvenirs, drinks or refreshments will be served at the EGM.

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

23 February 2023

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DEFINITIONS

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

“Alteration Consent Letters”	the letters entered into between the Existing Bondholders and the Company dated 22 December 2022 in relation to the Alteration of Terms
“Alteration of Terms”	the proposed alteration of the terms of the Existing Convertible Bonds set out in the paragraph headed “(II) Proposed alterations to the terms of the Existing Convertible Bonds” in this circular
“Announcement”	the announcement of the Company dated 22 December 2022 in respect of the Subscription Agreement and the Alteration of Terms
“Articles of Association”	the articles of association for the time being adopted by the Company and as amended from time to time
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chinese Success”	Chinese Success Limited, a company incorporated in the British Virgin Islands and indirectly wholly-owned by Mr. Lam Ching Kui, being the controlling shareholder of the Company
“Company”	Wai Chun Bio-Technology Limited, a company incorporated in the Cayman Islands, whose issued Shares are listed on the main board of the Stock Exchange (stock code: 660)

DEFINITIONS

“Completion Date”	the date of closing, being the day falling on the second business day (or such other day as agreed by the Company and Chinese Success) after fulfillment of all the conditions precedent set out in the Subscription Agreement which is expected on or before 31 March 2023
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Convertible Preference Share(s)”	non-voting convertible preference share(s) which will have a par value of HK\$0.25 each in the share capital of the Company upon the Share Consolidation becoming effective
“Consolidated Ordinary Share(s)”	ordinary share(s) which will have a par value of HK\$0.25 each in the share capital of the Company upon the Share Consolidation becoming effective
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the New Convertible Bonds Conversion Price or the Existing Convertible Bonds Conversion Price, as the case may be
“Conversion Share(s)”	the Existing Convertible Bonds Conversion Share(s) or the New Convertible Bonds Conversion Share(s), as the case may be
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription and the issue of the New Convertible Bonds (including the grant of the New Convertible Bonds Specific Mandate), the Alteration of Terms (including the grant of the Existing Convertible Bonds Specific Mandate), and the Share Consolidation
“Existing Bondholders”	Existing Convertible Bondholder 1 and Existing Convertible Bondholder 2 collectively
“Existing Convertible Bondholder 1”	Mr. Lam Ching Kui, being holder of the Existing Convertible Bonds 1
“Existing Convertible Bondholder 2”	Chinese Success, being holder of the Existing Convertible Bonds 2

DEFINITIONS

“Existing Convertible Bonds”	Existing Convertible Bonds 1 and Existing Convertible Bonds 2 collectively
“Existing Convertible Bonds 1”	the 2% coupon convertible bonds with principal amount of HK\$67,000,000 issued by the Company on 27 November 2020
“Existing Convertible Bonds 2”	the 2% coupon convertible bonds with principal amount of HK\$21,000,000 issued by the Company on 18 January 2022
“Existing Convertible Bonds Conversion Price”	the proposed new conversion price of HK\$0.025 per Conversion Share or, conditional upon the Share Consolidation being effective, HK\$0.25 per Conversion Share under the Alteration of Terms, subject to adjustment under the terms and conditions of the Existing Convertible Bonds
“Existing Convertible Bonds Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attached to the Existing Convertible Bonds
“Existing Convertible Bonds Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the Existing Convertible Bonds Conversion Shares to be proposed for approval as an ordinary resolution by the Independent Shareholders at the EGM
“Existing Convertible Preference Share(s)”	non-voting convertible preference share(s) currently having a par value of HK\$0.025 each in the share capital of the Company before the Share Consolidation becomes effective
“Existing Ordinary Share(s)”	ordinary share(s) currently having a par value of HK\$0.025 each in the share capital of the Company before the Share Consolidation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Hong Kong Share Registrar”	the Company’s share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“IFA” or “INCU”	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the Alteration of Terms and the transactions contemplated respectively 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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the Alteration of Terms and the transactions contemplated respectively thereunder
“Independent Shareholder(s)”	in respect of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), Shareholder(s) other than Chinese Success and its associates not required under the Listing Rules to abstain from voting on the resolution(s) approving the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the transactions contemplated thereunder at the EGM; and in respect of the Alteration of Terms, Shareholders other than the Existing Bondholders and their respective associates not required under the Listing Rules to abstain from voting on the resolution(s) approving the Alteration of Terms at the EGM
“Interest Rate”	the interest rate of the Existing Convertible Bonds
“Last Trading Day”	22 December 2022, being the date of the Announcement
“Latest Practicable Date”	17 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“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 March 2023 or such other date as may be agreed by the Company and Chinese Success, or may be agreed by the Company and the Existing Bondholders (as the case may be)
“New Convertible Bonds”	convertible bonds in an aggregate principal amount of HK\$14,000,000 to be issued by the Company, and subscribed by Chinese Success, pursuant to the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)
“New Convertible Bonds Conversion Price”	initially HK\$0.025 per Conversion Share or, conditional upon the Share Consolidation being effective, HK\$0.25 per Conversion Share, subject to adjustment
“New Convertible Bonds Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the New Convertible Bonds by Chinese Success
“New Convertible Bonds Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the New Convertible Bonds Conversion Shares to be proposed for approval as an ordinary resolution by the Independent Shareholders at the EGM
“Other Loan”	liabilities due by the Company to Mr. Lam Ching Kui (being the ultimate controlling Shareholder) 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\$12,500,000 as at Completion Date, bearing interest rate of 6.25% per annum
“Second Supplementary Agreement”	the second supplementary agreement dated 13 February 2023 entered into between the Company and Chinese Success pursuant to which the parties agreed to extend the long stop date of the Subscription Agreement to 31 March 2023 (or such other date as may be agreed by the Company and Chinese Success)

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“Second Supplementary Letters”	the letters dated 13 February 2023 entered into between the Company and the Existing Bondholders pursuant to which the parties agreed to extend the long stop date of the Alteration Consent Letters to 31 March 2023 (or such other date as may be agreed by the Company and the Existing Bondholders)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Consolidated Ordinary Share(s) of HK\$0.25 each or the Existing Ordinary Share(s) of HK\$0.025 each in the share capital of the Company as the case may be
“Share Consolidation”	the proposed consolidation of (i) every ten (10) issued and unissued Existing Ordinary Shares of HK\$0.025 each in the share capital of the Company into one (1) Consolidated Ordinary Share of HK\$0.25; and (ii) every ten (10) issued and unissued Existing Convertible Preference Shares of HK\$0.025 each in the share capital of the Company into one (1) Consolidated Convertible Preference Share of HK\$0.25
“Share Option(s)”	share option(s) granted on 16 July 2018 under the share option scheme of the Company adopted on 22 July 2015
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder’s Loan”	shareholder’s loan due by the Company to Wai Chun Investment Fund (being the holding company of Chinese Success) which is expected to amount to HK\$1,500,000 as at Completion Date, bearing interest at the rate of 6.25% per annum
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the New Convertible Bonds by Chinese Success pursuant to the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)

DEFINITIONS

“Subscription Agreement”	the conditional subscription agreement dated 22 December 2022 entered into between the Company and Chinese Success in relation to the Subscription of the New Convertible Bonds in an aggregate principal amount of HK\$14,000,000
“Supplementary Agreement”	the supplementary agreement dated 10 January 2023 entered into between the Company and Chinese Success pursuant to which the parties agreed that the conversion price per ordinary share of the Company shall be HK\$0.025 per ordinary share of the Company or HK\$0.25 per ordinary share of the Company conditional upon the Share Consolidation becoming effective, subject to adjustments
“Supplementary Letters”	the letters entered into between the Existing Bondholders and the Company dated 10 January 2023 pursuant to which the parties agreed that (i) the conversion price per ordinary share of the Company be changed from 0.025 per ordinary share of the Company to HK\$0.25 per ordinary share of the Company conditionally upon the Share Consolidation becoming effective; and (ii) upon the Share Consolidation becoming effective, Consolidated Ordinary Shares as Existing Convertible Bonds Conversion Shares will be allotted and issued upon conversion
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Undertakings”	the First Undertaking and the Second Undertaking
“%”	per cent.

EXPECTED TIMETABLE

Set out below is the expected timetable in relation to the Share Consolidation:

Events	Time and Date
Latest date and time for lodging transfer documents in order to qualify for attending and voting at EGM.	4:00 p.m. on Monday, 6 March 2023
Closure of register of members for determining the entitlement to attend and vote at the EGM (both days inclusive)	Tuesday, 7 March 2023 to Friday, 10 March 2023
Latest date and time for lodging the proxy form for the EGM (not less than 48 hours prior to time of the EGM).	10:30 a.m. on Wednesday, 8 March 2023
Record date for attendance and voting at the EGM	Friday, 10 March 2023
Date and time of the EGM	10:30 a.m. on Friday, 10 March 2023
Publication of the announcement of poll results of the EGM	Friday, 10 March 2023
<p>The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:</p>	
Effective date of the Share Consolidation	Tuesday, 14 March 2023
First day of free exchange of existing share certificates for the Existing Ordinary Shares for new share certificates for the Consolidated Ordinary Shares	Tuesday, 14 March 2023
Dealings in Consolidated Ordinary Shares commence	9:00 a.m. on Tuesday, 14 March 2023
Original counter for trading in Existing Ordinary Shares in board lots of 20,000 Existing Ordinary Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 14 March 2023
Temporary counter for trading in Consolidated Ordinary Shares in board lots of 2,000 Consolidated Ordinary Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 14 March 2023

EXPECTED TIMETABLE

Events	Time and Date
Original counter for trading in Consolidated Ordinary Shares in board lots of 20,000 Consolidated Ordinary Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 28 March 2023
Parallel trading in Consolidated Ordinary Shares (in the form of existing share certificates and new share certificates) commences	9:00 a.m. on Tuesday, 28 March 2023
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lot of Consolidated Ordinary Shares	9:00 a.m. on Tuesday, 28 March 2023
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lot of Consolidated Ordinary Shares	4:00 p.m. on Thursday, 20 April 2023
Temporary counter for trading in Consolidated Ordinary Shares in board lots of 2,000 Consolidated Ordinary Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 20 April 2023
Parallel trading in Consolidated Ordinary Shares (in the form of new share certificates and existing share certificates) ends	4:10 p.m. on Thursday, 20 April 2023
Last day for free exchange of existing share certificates for the Existing Ordinary Shares for new share certificates for the Consolidated Ordinary Shares	4:00 p.m. on Monday, 24 April 2023

Note: All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.



偉俊生物科技有限公司
Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 660)

Executive Director:

Mr. Chan Cheuk Ho

Independent Non-executive Directors:

Mr. Wan Bo

Ms. Hong Ting

Mr. Hung Hoi Ming Raymond

Registered Office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

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

13/F, Admiralty Centre, Tower 2

18 Harcourt Road

Admiralty

Hong Kong

23 February 2023

To the Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTIONS:
(1) PROPOSED ISSUE OF NEW CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE; AND
(2) PROPOSED ALTERATION TO THE TERMS OF
EXISTING CONVERTIBLE BONDS;
(II) PROPOSED SHARE CONSOLIDATION;
(III) RE-ELECTION OF DIRECTOR;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

References are made to (i) the Announcement in relation to the Subscription Agreement, the Alteration of Terms and the transactions contemplated respectively thereunder; (ii) the announcement of the Company dated 9 January 2023 in relation to among other things, the appointment of independent non-executive director; (iii) the announcement of the Company dated 10 January 2023 in relation to, among other things, the Share Consolidation; and (iv) the

LETTER FROM THE BOARD

announcement of the Company dated 13 February 2023 in relation to the extension of long stop date of the Subscription Agreement and the Alteration Consent Letters.

The purpose of this circular is to provide you with, among others, (i) details of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) involving the issue of the New Convertible Bonds under the New Convertible Bonds Specific Mandate to be sought at the EGM; (ii) details of the Alteration of Terms involving the grant of the Existing Convertible Bonds Specific Mandate to be sought at the EGM; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Alteration of Terms; (iv) the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Alteration of Terms; (v) details of the Share Consolidation; (vi) details of the retiring director subject to re-election; (vii) a notice convening the EGM; and (viii) other information as required under the Listing Rules. Resolution will also be proposed at the EGM for the re-election of the Director.

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

The Subscription Agreement

On 22 December 2022, the Company entered into the Subscription Agreement with Chinese Success (a connected person of the Company) pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$14,000,000 under the New Convertible Bonds Specific Mandate.

The New Convertible Bonds carry the conversion rights to convert into 560,000,000 New Convertible Bonds Conversion Shares at the New Convertible Bonds Conversion Price of HK\$0.025 per New Convertible Bonds Conversion Share (subject to adjustment) or, conditional upon the Share Consolidation becoming effective, 56,000,000 New Convertible Bonds Conversion Shares at conversion price of HK\$0.25 per New Convertible Bonds Conversion Share (subject to adjustment). The subscription amount payable by Chinese Success under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and Other Loan, payable by the Company to Chinese Success and/or its associates which is expected to amount to HK\$14,000,000 as at Completion Date.

The Subscription Agreement was amended by the Supplementary Agreement and the Second Supplementary Agreement.

The Supplementary Agreement

In view of the proposed Share Consolidation, on 10 January 2023, the Company and Chinese Success entered into the Supplementary Agreement, pursuant to which the parties agreed that the conversion price per ordinary share of the Company shall be HK\$0.025 per ordinary share of the Company or HK\$0.25 per ordinary share of the Company conditional upon the Share Consolidation becoming effective subject to adjustments. Save for the above

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changes, all other terms and the conditions of the Subscription Agreement remain unchanged.

The Second Supplementary Agreement

On 13 February 2023, the Company and Chinese Success entered into the Second Supplementary Agreement pursuant to which the parties agreed to extend the long stop date of the Subscription Agreement to 31 March 2023 (or such other date as may be agreed by the Company and Chinese Success). Save for the above changes, all other terms and the conditions of the Subscription Agreement remain unchanged.

The principal terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) are summarised below:

Date

22 December 2022

Party

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

Subscription of the New Convertible Bonds

Pursuant to the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), Chinese Success conditionally agreed to subscribe for the New Convertible Bonds with an aggregate principal amount of HK\$14,000,000.

Principal terms of the New Convertible Bonds

Issuer	:	The Company
Subscriber	:	Chinese Success
Issue price	:	100% of the principal amount
Principal amount	:	HK\$14,000,000
Conversion price	:	HK\$0.025 per Conversion Share or, conditional upon the Share Consolidation becoming effective, HK\$0.25 per Conversion Share, subject to adjustments

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

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

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

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

(b) Capitalisation of profits or reserves

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

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

LETTER FROM THE BOARD

(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.

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Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the bondholders (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 New Convertible Bonds registered in their names that the bondholders hold out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

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

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

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

(bb) Modification of rights of convertible or exchangeable securities

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

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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.

Interest rate : Free on interest

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- New Convertible Bonds Conversion Shares : Based on the principal amount of the New Convertible Bonds of HK\$14,000,000, the New Convertible Bonds is convertible into 560,000,000 New Convertible Bonds Conversion Shares at the initial conversion price of HK\$0.025 per New Convertible Bonds Conversion Share (subject to adjustments) or, conditional upon the Share Consolidation becoming effective, 56,000,000 New Convertible Bonds Conversion Shares at the conversion price of HK\$0.25 per New Convertible Bonds Conversion Share (subject to adjustments).
- Conversion period : The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the New Convertible Bonds.
- Conversion rights and restrictions : The holder of the New Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the New Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; (ii) the exercise of the conversion right attached to the New Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) any conversion of the New Convertible Bonds does not trigger a mandatory general offer obligation on the holder of the New Convertible Bonds under Rule 26 of the Takeovers Code.

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- Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) days' notice to the holders of the New Convertible Bonds, propose to the holders to redeem the outstanding New Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding New Convertible Bonds at any time after the date of issue of the New Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the New Convertible Bonds.
- Ranking of New Convertible Bonds Conversion Shares : The New Convertible Bonds Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
- Maturity date : The date falling on the third anniversary of the date of issue of the New Convertible Bonds.
- Voting rights : The holder of the New Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
- Transferability : Subject to compliance with the Listing Rules, the New Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by the holder of the New Convertible Bonds to any party.
- Listing : No application will be made by the Company for the listing of the New Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares.
- Security : The obligations of the Company under the New Convertible Bonds are unsecured.

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New Convertible Bonds Conversion Shares

Upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price of HK\$0.025 each or subject to the Share Consolidation becoming effective, HK\$0.25 each (subject to adjustments), a maximum of 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as New Convertible Bonds Conversion Shares will be allotted and issued which represents:

- (i) approximately 33.32% of the total number of issued ordinary shares of the Company as at the Latest Practicable Date;
- (ii) approximately 24.99% of the total number of issued ordinary shares of the Company as enlarged by the allotment and issue of the New Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of issued ordinary shares of the Company from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full; and
- (iii) approximately 9.72% of the total number of issued ordinary shares of the Company as enlarged by the allotment and issue of the New Convertible Bonds Conversion Shares and the allotment and issue of the Existing Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of issued ordinary shares of the Company from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full.

Conversion Price

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

- (i) the par value of HK\$0.025 per Existing Ordinary Share;
- (ii) a premium of approximately 25% over the closing price of HK\$0.020 per Existing Ordinary Share on the Last Trading Day; and
- (iii) a premium of approximately 32% over the average of the closing prices of HK\$0.019 per Share for the last five trading days immediately preceding the Last Trading Day.

The Conversion Price was determined by reference to the recent trading performance of the Shares on the Stock Exchange and is not less than the par value of HK\$0.025 per Existing Ordinary Share.

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The Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) consider that the Conversion Price and terms and conditions of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the New Convertible Bonds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)

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

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the Listing Rules approving (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the issue of the New Convertible Bonds and the grant of New Convertible Bonds Specific Mandate for the allotment and issue of the New Convertible Bonds Conversion Shares to Chinese Success in accordance with the terms and conditions of the New Convertible Bonds;
- (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 Chinese Success in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Convertible Bonds Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the New Convertible Bonds;
- (v) none of the warranties given by Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vi) none of the warranties given by Chinese Success under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

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

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

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

As at the Latest Practicable Date, save for conditions (v) and (vi), none of the conditions have been fulfilled.

Completion

Completion of the Subscription Agreement shall take place at or before 4:00 p.m. on the second Business Day (or such other date as agreed by the Company and Chinese Success) after fulfillment of all the conditions precedent set out above, which is expected on or before 31 March 2023.

Minimum public float requirement

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

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

LETTER FROM THE BOARD

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

A. Assuming there is no change in the issued share capital of the Company and Share Consolidation not becoming effective

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the full exercise of the Existing Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iii) immediately after the full exercise of the New Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iv) immediately after execution of the Undertakings by the Existing Bondholders only (assuming there being no other issue or repurchase of Shares); and (v) immediately after the full exercise of the Existing Convertible Bonds and the full exercise of the New Convertible Bonds (assuming there being no other issue or repurchase of Shares) are as follows:

Name of Shareholder	As at the Latest Practicable Date		Immediately after full exercise of the Existing Convertible Bonds only ^(notes 4 and 6)		Immediately after full exercise of the New Convertible Bonds only ^(notes 4 and 5)		Immediately after execution of the Undertakings by the Existing Bondholders only ^(notes 4 and 7)		Immediately after full exercise of the Existing Convertible Bonds and the New Convertible Bonds ^(notes 4 and 8)	
	Number of Existing Ordinary Shares		Number of Existing Ordinary Shares		Number of Existing Ordinary Shares		Number of Existing Ordinary Shares		Number of Existing Ordinary Shares	
	Approximate	%	Approximate	%	Approximate	%	Approximate	%	Approximate	%
	Shares		Shares		Shares		Shares		Shares	
Chinese Success <i>(note 1)</i>	811,502,432	48.28	1,651,502,432	31.75	1,371,502,432	61.21	917,502,432	49.36	2,211,502,432	38.39
Lam Ching Kui <i>(note 2)</i>	724,000	0.04	2,680,724,000	51.54	724,000	0.03	72,724,000	3.91	2,680,724,000	46.53
Public	812,226,432	48.32	4,332,226,432	83.29	1,372,226,432	61.24	990,226,432	53.27	4,892,226,432	84.92
Shareholders	868,538,105	51.68	868,538,105	16.71	868,538,105	38.76	868,538,105	46.73	868,538,105	15.08
Total	1,680,764,537	100.00	5,200,764,537	100.00	2,240,764,537	100.00	1,858,764,537	100.00	5,760,764,537	100.00

Notes:

- (1) Chinese Success is a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui. Chinese Success Limited holds 811,502,432 Existing Ordinary Shares.
- (2) Mr. Lam Ching Kui, the ultimate controlling shareholder, directly holds 724,000 Existing Ordinary 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.

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- (4) For illustration purpose only, pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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) In the event that the New Convertible Bonds are fully converted only, the shareholding of Chinese Success will increase from approximately 48.28% to approximately 61.21%. Since Chinese Success and Mr. Lam Ching Kui, the persons acting in concert, hold not less than 30% and not more than 50% in aggregate as at the Latest Practicable Date, if Chinese Success exercises the Conversion Rights attaching to the New Convertible Bonds and such exercise has the effect of increasing its holding of voting rights of the Company by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the relevant exercise, it will trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the New Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the New 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 and it will cause the conversion of the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the New Convertible Bonds under Rule 26 of the Takeovers Code.
- (6) In the event that the Existing Convertible Bonds are fully converted only, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 51.54% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code when such increase is 30% or more by a series of transactions over a period of time or not. Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules and it will cause the conversion of the Existing Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the Existing Convertible Bonds under Rule 26 of the Takeovers Code.
- (7) In the event that the Undertakings are executed by the Existing Bondholders only, the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from approximately 48.32% to approximately 53.27% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Under the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and subject to the Undertakings given by the Existing Bondholders, Chinese Success will initially convert HK\$850,000 Existing Convertible Bonds 2 into 34,000,000 Existing Ordinary Shares, which the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from 48.32% to 50.30%. Chinese Success and Mr. Lam Ching Kui will only execute the Second Undertaking after one year when the aforementioned conversion is completed, which does not trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code.
- (8) In the event that both the Existing Convertible Bonds and the New Convertible Bonds are fully converted, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 46.53% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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 and it will cause the conversion of the Existing Convertible Bonds and the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholders of the Existing Convertible Bonds and the New Convertible Bonds under Rule 26 of the Takeovers Code.

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B. Assuming Share Consolidation becoming effective

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Share Consolidation becoming effective; (iii) immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iv) immediately after the full exercise of the New Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (v) immediately after Share Consolidation becoming effective and execution of the Undertakings by the Existing Bondholders only (assuming there being no other issue or repurchase of Shares); and (vi) immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds and the New Convertible Bonds (assuming there being no other issue or repurchase of Shares) are as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately after Share Consolidation becoming effective		Immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds only ^(notes 4 and 6)		Immediately after Share Consolidation becoming effective and full exercise of the New Convertible Bonds only ^(notes 4 and 5)		Immediately after Share Consolidation becoming effective and execution of the Undertakings by the Existing Bondholders only ^(notes 4 and 7)		Immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds and the New Convertible Bonds ^(notes 4 and 8)	
	Number of Existing		Number of Consolidated		Number of Consolidated		Number of Consolidated		Number of Consolidated		Number of Consolidated	
	Ordinary Shares	Approximate %	Ordinary Shares	Approximate %	Ordinary Shares	Approximate %	Ordinary Shares	Approximate %	Ordinary Shares	Approximate %	Ordinary Shares	Approximate %
Chinese Success <i>(note 1)</i>	811,502,432	48.28	81,150,243	48.28	165,150,243	31.75	137,150,243	61.21	91,750,243	49.36	221,150,243	38.39
Lam Ching Kui <i>(note 2)</i>	724,000	0.04	72,400	0.04	268,072,400	51.54	72,400	0.03	7,272,400	3.91	268,072,400	46.53
	812,226,432	48.32	81,222,643	48.32	433,222,643	83.29	137,222,643	61.24	99,022,643	53.27	489,222,643	84.92
Public Shareholders	868,538,105	51.68	86,853,810	51.68	86,853,810	16.71	86,853,810	38.76	86,853,810	46.73	86,853,810	15.08
Total	1,680,764,537	100.00	168,076,453	100.00	520,076,453	100.00	224,076,453	100.00	185,876,453	100.00	576,076,453	100.00

Notes:

- (1) Chinese Success is a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui. Chinese Success Limited holds 811,502,432 Existing Ordinary Shares, or 81,150,243 Consolidated Ordinary Shares (assuming Share Consolidation becoming effective).
- (2) Mr. Lam Ching Kui, the ultimate controlling shareholder, directly holds 724,000 Existing Ordinary Shares, or 72,400 Consolidated Ordinary Shares (assuming Share Consolidation becoming effective).
- (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) For illustration purpose only, pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attaching to the Existing Convertible Bonds and the New Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules.

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- (5) In the event that the New Convertible Bonds are fully converted only, the shareholding of Chinese Success will increase from approximately 48.28% to approximately 61.21%. Since Chinese Success and Mr. Lam Ching Kui, the persons acting in concert, hold not less than 30% and not more than 50% in aggregate as at the Latest Practicable Date, if Chinese Success exercises the Conversion Rights attaching to the New Convertible Bonds and such exercise has the effect of increasing its holding of voting rights of the Company by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the relevant exercise, it will trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the New Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the New 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 and it will cause the conversion of the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the New Convertible Bonds under Rule 26 of the Takeovers Code.
- (6) In the event that the Existing Convertible Bonds are fully converted only, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 51.54% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code when such increase is 30% or more by a series of transactions over a period of time or not. Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules and it will cause the conversion of the Existing Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the Existing Convertible Bonds under Rule 26 of the Takeovers Code.
- (7) In the event that the Undertakings are executed by the Existing Bondholders only, the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from approximately 48.32% to approximately 53.27% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Under the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and subject to the Undertakings given by the Existing Bondholders, Chinese Success will initially convert HK\$850,000 Existing Convertible Bonds 2 into 3,400,000 Consolidated Ordinary Shares upon the Share Consolidation becoming effective, which the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from 48.32% to 50.30%. Chinese Success and Mr. Lam Ching Kui will only execute the Second Undertaking after one year when the aforementioned conversion is completed, which does not trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code.
- (8) In the event that both the Existing Convertible Bonds and the New Convertible Bonds are fully converted, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 46.53% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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 and it will cause the conversion of the Existing Convertible Bonds and the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholders of the Existing Convertible Bonds and the New Convertible Bonds under Rule 26 of the Takeovers Code.

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

For indicative purposes only, a maximum of 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation being effective) as Existing Convertible Bonds Conversion Shares to be converted in full shall represent approximately 209.43% of the total number of issued Shares and approximately 67.68% of the total number of issued Shares as enlarged by the allotment and issue of the Existing Conversion Bonds Conversion Shares. The existing shareholding of the Independent Shareholders will be diluted from approximately 51.68% before full conversion of the Existing Convertible Bonds to approximately 16.71% immediately after full conversion of the Existing Convertible Bonds. It would cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.

After the alteration of the terms of the Existing Convertible Bonds, the Existing Convertible Bonds would become interest-free. The financial position of the Company will be improved by interest saving of approximately HK\$3.32 million. In the subsequent financial period(s) since the Group's last financial year end date of 30 June 2022, the alteration of the terms of the Existing Convertible Bonds is expected to give an effect to the fair value of the Existing Convertible Bonds on the effective date of alteration and the related fair value gain or loss adjustment would have impact on the earnings and reserves of the Company. It is also expected that the alteration of the terms of the Existing Convertible Bonds would give an effect to the amount of effective interest expenses to be recognised in profit or loss and the earnings of the Company would be impacted accordingly. The re-assessment of the fair value of the Existing Convertible Bonds on the effective date of alteration will be subject to the valuation to be performed by an independent professional valuer. Besides, the gearing ratio of the Group is expected to change as the net debts (net of cash and cash equivalents) of the Group would change upon the partial conversion of the Existing Convertible Bonds undertaken by the Existing Bondholders and the redemption of the remaining unconverted Existing Convertible Bonds at a redemption discount of 5% at maturity.

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

For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), upon full conversion of the New Convertible Bonds at the Conversion Price, the New Convertible Bonds will be convertible into 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as New Convertible Bonds Conversion Shares, assuming none of the Existing Convertible Bonds are converted and no outstanding Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to

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the date when the conversion rights attached to the New Convertible Bonds are exercised in full, the 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as New Convertible Conversion Shares shall represent approximately 33.32% of the total number of issued Shares and approximately 24.99% of the total number of issued Shares as enlarged by the allotment and issue of the New Conversion Bonds Conversion Shares.

Assuming no outstanding Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attached to the New Convertible Bonds and the Existing Convertible Bonds are exercised in full, the existing shareholding of the Independent Shareholders will be diluted from approximately 51.68% before full conversion of the New Convertible Bonds and the Existing Convertible Bonds to approximately 15.08% immediately after full conversion of the New Convertible Bonds and the Existing Convertible Bonds. However, as mentioned above, it has been set out in the terms of the New Convertible Bonds that Chinese Success may only convert such number of New Convertible Bonds as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion and according to the Alteration of Terms and the existing terms of the Existing Convertible Bonds 1, the conversion rights attached to the Existing Convertible Bonds shall only be exercised on the condition that any conversion of the Existing Convertible Bonds does not: (aa) trigger a mandatory general offer obligation on the Existing Bondholders under Rule 26 of the Takeovers Code; and (bb) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

After the alteration of the terms of the Existing Convertible Bonds and issue of the New Convertible Bonds, the Existing Convertible Bonds would become interest-free which is same as the New Convertible Bonds. In the subsequent financial period(s) since the Group's last financial year end date of 30 June 2022, the alteration of the terms of the Existing Convertible Bonds is expected to give an effect to the fair value of the Existing Convertible Bonds on the effective date of alteration and the related fair value gain or loss adjustment would have impact on the earnings and reserves of the Company. In addition, the fair value measurement of the New Convertible Bonds on issue date and the related fair value gain or loss adjustment on the New Convertible Bonds on issue date would have impact on the earnings and reserves of the Company. Moreover, the liability component of the New Convertible Bonds is expected to be recorded in the statement of the financial position of the Company. It is also expected that both the alteration of the terms of the Existing Convertible Bonds and the issue of the New Convertible Bonds would give an effect to the amount of effective interest expenses to be recognised in profit or loss and the earnings of the Company would be impacted accordingly. The re-assessment of the fair value of the Existing Convertible Bonds on the effective date of alteration and the assessment of the fair value of the New Convertible Bonds on issue date will be subject to the valuation to be performed by an independent professional valuer, respectively. Besides, the gearing ratio of the Group is expected to change as the net debts (net of cash and cash

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equivalents) of the Group would change upon the partial conversion of the Existing Convertible Bonds undertaken by the Existing Bondholders, the redemption of the remaining unconverted Existing Convertible Bonds at a redemption discount of 5% at maturity and the redemption of the New Convertible Bonds at maturity.

Assuming the Existing Convertible Bonds and the New Convertible Bonds are fully converted immediately after the Alteration of Terms and the Subscription, the net assets of the Company of approximately HK\$6.0 million as at 30 June 2022 will be increased by approximately HK\$79.65 million to net assets of approximately HK\$85.65 million.

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

Equity fund-raising exercises of the Company in the past twelve months

In the past twelve months immediately preceding the Latest Practicable Date, the Company issued the Existing Convertible Bonds 2 with principal amount of HK\$21,000,000 on 18 January 2022 under specific mandate as disclosed in the announcement of the Company dated on 22 October 2021 and which has been approved in the EGM held on 31 December 2021 and completed on 17 January 2022. The subscription amount was satisfied by way of offsetting certain debt liabilities owed by the Company to Chinese Success and/or its associates and there was no remaining net proceeds from such fund-raising exercise to be utilised by the Company.

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

Mandate to issue the Conversion Shares

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

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Information about the Group

The Group is principally engaged in the manufacturing and sale of modified starch and other bio-chemical products.

Use of proceeds from proposed issue of the New Convertible Bonds

The gross proceeds from the issue of the New Convertible Bonds are expected to be approximately HK\$14,000,000. The subscription amount payable by Chinese Success under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary 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 Chinese Success and/or its associates which is expected to amount to a total of HK\$14,000,000 as at Completion Date. As at 30 June 2022, the audited balance of the Shareholder's Loan was approximately HK\$825,000. For the period from 1 July 2022 to the Latest Practicable Date, Wai Chun Investment Fund, the ultimate holding company of the Company, had provided loan monies to the Group for general capital requirements including but not limited to salaries payment and payment of expenses for daily operation of the Group, and the balance of the Shareholder's Loan is expected to increase to HK\$1,500,000, representing an increase of approximately HK\$675,000 from that of the audited balance as at 30 June 2022, at the Completion Date and such balance will be assigned to Chinese Success at the Completion Date. Besides, as at 30 June 2022, the audited balance of the Other Loan was approximately HK\$6,081,000. For the period from 1 July 2022 to the Latest Practicable Date, Mr. Lam Ching Kui, an associate of Chinese Success, had provided loan to the Group for general capital requirements including but not limited to salaries payment, rental payment and settlement of other creditors, and the balance of the Other Loan is expected to increase to HK\$12,500,000, representing an increase of approximately HK\$6,419,000 from that of the audited balance as at 30 June 2022, at the Completion Date and such balance will be assigned to Chinese Success at the Completion Date. On Completion Date, the Company will owe an amount of approximately HK\$14,000,000 to Chinese Success before offsetting the subscription amount of the New Convertible Bonds payable by Chinese Success under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) upon completion of the debt assignment among the Group, Chinese Success, Wai Chun Investment Fund and Mr. Lam Ching Kui.

Other fund-raising methods

The Board has considered other fund-raising methods including debt financing and equity financing before entering into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters). External debt financing such as bank loan would give additional financial pressure to the Group and would further weaken the cash flow and financial position of the Group. In addition, the Group has difficulties in obtaining external debt financing from providers

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such as financial institutions due to the weak financial performance and net current liabilities position of the Group. It is expected that the cost of external debt financing would be higher and terms of the external debt financing might require a higher interest rate, pledge of assets or financial guarantee.

The Board has considered but not decided to conduct equity placement to independent third parties that might require a higher discount on the placing price and would give immediate dilution effect on the shareholding of the Company. Additional financial burden to the Group would arise as equity placement would incur placing commission to placing agent and other professional expenses. The placing agent might have difficulties to seek potential places due to the weak financial performance and net current liabilities position of the Group, and the low trading volume of the Shares. Besides, conducting equity financing by way of right issue or open offer might require a higher discount on the issue price, a more lengthy timetable and a higher cost to professional parties for such fund-raising exercise, and would give immediate dilution to the shareholders who do not participate in the right issue or open offer as compared to the issue of the New Convertible Bonds and the Alteration of Terms which do not give immediate dilution effect on the shareholding of the Company.

Having considered the above factors, the Board considers that the issue of the New Convertible Bonds and the Alteration of Terms are the more feasible and realistic options for the Group to improve short-term liquidity position and avoid immediate dilution effect on the shareholding of the Independent Shareholders although the Group may still have a relative high gearing ratio in the short run. The Board considers that the issue of the New Convertible Bonds and the Alteration of Terms are in the interests of the Company and the Shareholders as a whole and it will provide financial flexibility to the Group in managing its future cash flow. As the Shareholder's Loan and the Other Loan will be settled through the issuance of the New Convertible Bonds, there will be no immediate cash outflow required in the short run. The interest-free feature of the Existing Convertible Bonds and the New Convertible Bonds will ease the interest burden of the Company. The Undertakings by the Existing Convertible Bondholders will result in strengthening the capital base of the Company.

Reasons for and benefits of entering into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)

The subscription amount payable by Chinese Success under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and the Other Loan, payable by the Company to Chinese Success and/or its associates which is expected to amount to HK\$14,000,000 as at the Completion Date. Mr. Lam Ching Kui had been financing the operations of the Group through the provision of the Shareholder's Loan and the Other Loan to the Group. The Board considers that the Shareholder's Loan which bear interest at 6.25% per annum together with the Other Loan which is also owed to the controlling Shareholder (including

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its ultimate beneficial owner, Mr. Lam Ching Kui), represents a heavy financial burden to the Group as the Group has net current liabilities of approximately HK\$25.5 million as at 30 June 2022.

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

In view of the above, the Director (excluding the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) is of the view that the terms of Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) are on normal commercial terms and the issue of the New Convertible Bonds is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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

(II) PROPOSED ALTERATIONS TO THE TERMS OF THE EXISTING CONVERTIBLE BONDS

Reference is made to the announcement of the Company dated 21 October 2021 and the circular of the Company dated 9 December 2021 in relation to, among other things, the alteration of the terms of Existing Convertible Bonds 1 in the aggregate principal amount of HK\$67,000,000 and the issuance of Existing Convertible Bonds 2 in the aggregate principal amount of HK\$21,000,000.

As at the Latest Practicable Date, none of the conversion rights attached to the Existing Convertible Bonds has been exercised by the Existing Bondholders and no Existing Convertible Bonds Conversion Shares were issued by the Company to the Existing Bondholders. According to the existing terms of the Existing Convertible Bonds, a bondholder shall have the right to convert the Existing Convertible Bonds into Conversion Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules.

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On 22 December 2022 (after trading hours), the Company and the Existing Bondholders entered into the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and conditionally agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.05 per Existing Convertible Bonds Conversion Share to HK\$0.025 per Existing Convertible Bonds Conversion Share or HK\$0.25 per Existing Convertible Bonds Conversion Share conditional upon the Share Consolidation being effective;
- (ii) the Interest Rate be amended from 2% per annum to 0% per annum;
- (iii) the Existing Convertible Bonds be redeemed at 95% of its principal amount at maturity;
- (iv) the maturity date of Existing Convertible Bonds 1 be extended to 18 January 2025 to be in line with the maturity date of Existing Convertible Bonds 2;
- (v) the conversion rights attached to the Existing Convertible Bonds 2 be only exercised on the condition that any conversion of the Existing Convertible Bonds 2 does not trigger a mandatory general offer obligation on the Existing Bondholder 2 under Rule 26 of the Takeovers Code;
- (vi) the Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 2 in principal amount of HK\$850,000 into 34,000,000 Existing Ordinary Shares or 3,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares to be allotted and issued upon conversion representing 1.98% of the total number of issued Shares as enlarged by the allotment and issue of the 34,000,000 Existing Ordinary Shares or 3,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares after the alteration to the terms of the Existing Convertible Bonds 1 and Existing Convertible Bonds 2 are completed (the “**First Undertaking**”); and
- (vii) each of the Existing Convertible Bondholder 1 and Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 1 in principal amount of HK\$1,800,000 and the Existing Convertible Bonds 2 in principal amount of HK\$1,800,000 respectively (the “**Second Undertaking**”) into an aggregate of 144,000,000 Existing Ordinary Shares or 14,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares in aggregate to be allotted and issued upon conversion representing 7.75% of the total number of issued Shares as enlarged by the allotment and issue of the 144,000,000 Existing Ordinary Shares or 14,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares one year after the issue of the Conversion Shares as mentioned in above (vi) is completed.

Apart from the Alteration of Terms above, all other terms and conditions of the Existing Convertible Bonds shall remain unchanged and in full force and effect.

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The salient terms of the Existing Convertible Bonds 1 after alteration of terms are summarised as follows:

Issuer	:	The Company
Existing Convertible Bondholder 1	:	Mr. Lam Ching Kui
Issue price	:	100% of the principal amount
Principal amount	:	HK\$67,000,000
Conversion price	:	HK\$0.025 per Conversion Share or, conditional upon the Share Consolidation becoming effective, HK\$0.25 per Conversion Share, subject to adjustments
Interest rate	:	Free on interest
Redemption at maturity	:	95% of the principal amount of the Existing Convertible Bonds 1.
Conversion period	:	The period commencing from the issue date of the Existing Convertible Bonds 1 up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Existing Convertible Bonds 1.
Conversion rights and restrictions	:	The holder of the Existing Convertible Bonds 1 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 Existing Convertible Bonds 1 registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Existing Convertible Bonds 1 is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Existing Convertible Bonds 1 may be converted; (ii) the exercise of the conversion right attaching to the Existing Convertible Bonds 1 will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) any conversion of the Existing Convertible Bonds 1 does not trigger a mandatory general offer obligation on the holder of the Existing Convertible Bonds 1 under Rule 26 of the Takeovers Code.

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Maturity date	:	18 January 2025.
Undertaking	:	the Existing Convertible Bondholder 1 providing an undertaking to convert the Existing Convertible Bonds 1 in principal amount of HK\$1,800,000 into 72,000,000 Existing Convertible Bonds Conversion Shares or 7,200,000 Consolidated Convertible Bonds Conversion Shares (upon the Share Consolidation becoming effective) to be allotted and issued upon conversion one year after the due fulfillment of the First Undertaking.

The salient terms of the Existing Convertible Bonds 2 after alteration of terms are summarised as follows:

Issuer	:	The Company
Existing Convertible Bondholder 2	:	Chinese Success
Issue price	:	100% of the principal amount
Principal amount	:	HK\$21,000,000
Conversion price	:	HK\$0.025 per Conversion Share or, conditional upon the Share Consolidation becoming effective, HK\$0.25 per Conversion Share, subject to adjustments
Interest rate	:	Free on interest
Redemption at maturity	:	95% of the principal amount of the Existing Convertible Bonds 2.
Conversion period	:	The period commencing from the issue date of the Existing Convertible Bonds 2 up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Existing Convertible Bonds 2.

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- Conversion rights and restrictions : The holder of the Existing Convertible Bonds 2 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 Existing Convertible Bonds 2 registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Existing Convertible Bonds 2 is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Existing Convertible Bonds 2 may be converted; (ii) the exercise of the conversion right attaching to the Existing Convertible Bonds 2 will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) any conversion of the Existing Convertible Bonds 2 does not trigger a mandatory general offer obligation on the holder of the Existing Convertible Bonds 2 under Rule 26 of the Takeovers Code.
- Maturity date : 18 January 2025.
- Undertaking : (i) the Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 2 in principal amount of HK\$850,000 into 34,000,000 Existing Convertible Bonds Conversion Shares or 3,400,000 Consolidated Convertible Bonds Conversion Shares (upon the Share Consolidation becoming effective) to be allotted and issued upon conversion after the alteration of the terms of the Existing Convertible Bonds are completed; and (ii) the Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 2 in principal amount of HK\$1,800,000 into 72,000,000 Existing Convertible Bonds Conversion Shares or 7,200,000 Consolidated Convertible Bond Conversion Shares (upon the Share Consolidation becoming effective) to be allotted and issued upon conversion one year after the issue of the Conversion Shares as mentioned in (i) above is completed by the Existing Convertible Bondholder 2.

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To the best information, knowledge and belief of the Directors, the Existing Bondholders, i.e., Mr. Lam Ching Kui and Chinese Success are connected persons of the Company.

The Alteration of Terms is conditional upon the following conditions:

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

None of the above conditions can be waived. If any of the conditions above are not fulfilled by the Long Stop Date, the parties to the Alteration of Terms will not proceed.

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

If the outstanding Existing Convertible Bonds are fully converted at the Existing Convertible Bonds Conversion Price of HK\$0.025 each or subject to the Share Consolidation becoming effective, HK\$0.25 each (subject to adjustments), a maximum of 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Existing Convertible Bonds in full, which represents:

- (i) approximately 209.4% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 67.7% of the issued share capital of the Company as to be enlarged by the issue of the 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares (assuming there being no other issue or repurchase of Shares); and
- (iii) approximately 61.1% of the issued share capital of the Company as to be enlarged by the issue of the 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares and the issue of the 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as New Convertible Bonds Conversion Shares

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assuming that there is no other change to the total number of Shares from Latest Practicable Date to the date when the Existing Convertible Bonds are converted in full (except for the allotment and issue of the New Convertible Bonds Conversion Shares).

According to the existing terms of the Existing Convertible Bonds, a bondholder shall have the right to convert the Existing Convertible Bonds into Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules. According to the existing terms of the Existing Convertible Bonds 1, any conversion shall also be subject to no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder.

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

The Supplementary Letters

In view of the proposed Share Consolidation, on 10 January 2023, the Company and the Existing Bondholders entered into the Supplementary Letters, pursuant to which the parties agreed that (i) the conversion price per ordinary share of the Company be changed from 0.025 per ordinary share of the Company to HK\$0.25 per ordinary share of the Company conditionally upon the Share Consolidation becoming effective; and (ii) upon the Share Consolidation becoming effective, Consolidated Ordinary Shares as Existing Convertible Bonds Conversion Shares will be allotted and issued upon conversion. Save for the above changes and the Alteration of Terms above, all other terms and conditions of the Existing Convertible Bonds and the Alteration Consent Letters shall remain unchanged and in full force and effect.

The Second Supplementary Letters

On 13 February 2023, the Company and the Existing Bondholders entered into the Second Supplementary Letters pursuant to which the parties agreed to extend the long stop date of the Alteration Consent Letters to 31 March 2023 (or such other date as may be agreed by the Company and the Existing Bondholders). Save for the above changes, all other terms and the conditions of the Alteration Consent Letters shall remain unchanged and in full force and effect.

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Immediately upon the Share Consolidation becoming effective, the following adjustments will be made to the conversion price of the Existing Convertible Bonds and the number of Consolidated Ordinary Shares to be issued upon exercise of the conversion rights attaching to the Existing Convertible Bonds as follows:

Date of issue	Immediately before Share Consolidation becoming effective		Immediately after the Share Consolidation becoming effective	
	Number of Existing Ordinary Shares to be issued upon exercise of the conversion rights	Conversion price per Existing Ordinary Share	Number of Consolidated Ordinary Shares to be issued upon exercise of the conversion rights	Conversion price per Consolidated Ordinary Share
27 November 2020	2,680,000,000	HK\$0.025	268,000,000	HK\$0.25
18 January 2022	<u>840,000,000</u>	<u>HK\$0.025</u>	<u>84,000,000</u>	<u>HK\$0.25</u>

Reasons for the Alteration of Terms

Since the existing conversion price of the Existing Convertible Bonds is much higher than the prevailing market price of the Share, the Alteration of Terms, including amendment to the Existing Convertible Bonds Conversion Price will serve as an incentive for the Existing Bondholders to exercise the conversion rights attached to the Existing Convertible Bonds to convert the Existing Convertible Bonds into the Existing Convertible Bonds Conversion Shares, and the Existing Bondholders have provided Undertakings to convert part of the Existing Convertible Bonds into the Existing Convertible Bonds Conversion Shares representing in aggregate approximately 10% of the total number of issued Shares as at the Latest Practicable Date thereby alleviating the financial pressure on the Company for redemption of all of the Existing Convertible Bonds at the maturity date. With the further redemption discount of up to 5% at the maturity of the Existing Convertible Bonds, the financial pressure on the Company for redemption of the Existing Convertible Bonds at the maturity date would also be further lessened and the reduction of Interest Rate would alleviate the interest burden of the Company. Furthermore, as the Company had net current liabilities of approximately HK\$25.5 million as at 30 June 2022, the conversion of the Existing Convertible Bonds into Shares will improve the gearing ratio of the Group which could facilitate the Group in obtaining alternative source of finance to improve the financial position of Group. For illustrative purpose only, taking into account the restrictions on the conversion rights and the Undertakings, a maximum of 460,785,968 Existing Ordinary Shares or 46,078,596 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares may

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be allotted and issued to Chinese Success upon exercise of the conversion rights attached to the outstanding Existing Convertible Bonds and a maximum of 1,332,601,915 Existing Ordinary Shares or 133,260,191 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares may be allotted and issued to Mr. Lam Ching Kui upon exercise of the conversion rights attached to the outstanding Existing Convertible Bonds, the alteration of terms of the Existing Convertible Bonds would change the gearing ratio (i.e. the net debts (net of cash and cash equivalents) to total assets ratio) of the Group from approximately 57.5% as disclosed in the annual report of the Company for the eighteen months ended 30 June 2022 to approximately 39.6%.

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

The Director (excluding the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) is of the view that the Alteration of Terms are fair and reasonable and are in the interests of the Shareholders as a whole.

(III) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that (i) every ten (10) issued and unissued Existing Ordinary Shares of HK\$0.025 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK\$0.25; and (ii) every ten (10) issued and unissued Existing Convertible Preference Shares of HK\$0.025 each in the share capital of the Company be consolidated into one (1) Consolidated Convertible Preference Share of HK\$0.25. As at the date of this circular, the Shares are traded on the Stock Exchange in board lot size of 20,000 Shares. No change to the board lot size is being contemplated as a result of the Share Consolidation.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$102,040,000, comprises of (i) HK\$100,000,000 divided into 4,000,000,000 Existing Ordinary Shares of HK\$0.025 each, of which 1,680,764,537 Existing Ordinary Shares have been issued and are fully paid or credited as fully paid; and (ii) HK\$2,040,000 divided into 81,600,000 Existing Convertible Preference Shares of HK\$0.025 each, and none of the Existing Convertible Preference Shares has been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective and assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the effective date of the Share Consolidation, the authorised share capital of the Company shall remain at HK\$102,040,000, comprising (i) HK\$100,000,000 divided into

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400,000,000 Consolidated Ordinary Shares of HK\$0.25 each (of which 168,076,453 Consolidated Ordinary Shares will be in issue); and (ii) HK\$2,040,000 divided into 8,160,000 Consolidated Convertible Preference Shares of HK\$0.25 each (none of Consolidated Convertible Preference Shares will be in issue).

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders by way of poll to approve the Share Consolidation at the EGM;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Ordinary Shares upon the Share Consolidation becoming effective; and
- (c) the compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the Share Consolidation will become effective on the second Business Day after the EGM. As at the Latest Practicable Date, none of the conditional have been fulfilled.

Status of the Consolidated Ordinary Shares

Upon the Share Consolidation becoming effective, the Consolidated Ordinary Shares shall rank *pari passu* in all respects with each other in the same class (and the Consolidated Convertible Preference Shares will rank *pari passu* in all respects with each other in that class) in accordance with the Articles of Association. Other than the expenses to be incurred in relation to the Share Consolidation (including without limitation to professional fees and printing fees), the implementation thereof will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the holders of shares of the same class, save for any fractional Consolidated Ordinary Shares which may arise.

Application for listing of the Consolidated Shares

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Ordinary Shares to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the approval of listing of, and permission to deal in, the Consolidated Ordinary Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Ordinary Shares will be accepted

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as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Ordinary Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Ordinary Shares to be admitted into CCASS established and operated by HKSCC.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Adjustments to the outstanding Share Options

As at the Latest Practicable Date, save for the 89,582,907 Share Options and the Existing Convertible Bonds with principal amounts of HK\$88,000,000 in aggregate, the Company does not have any other outstanding options, warrants or securities in issue which are convertible or exchangeable into the Existing Ordinary Shares.

As at the Latest Practicable Date, the maximum number of shares options which can be issued by the Company under the existing share option scheme mandate limit is 159,546,853.

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Immediately upon the Share Consolidation becoming effective, the following adjustments will be made to the exercise price of the outstanding Share Options and the number of Consolidated Ordinary Shares to be issued upon exercise of the outstanding Share Options as follows:

	Immediately before the Share Consolidation becoming effective		Immediately after the Share Consolidation becoming effective	
Date of grant	Number of Existing Ordinary Shares to be issued upon exercise of the Share Options	Exercise price per Existing Ordinary Share	Number of Consolidated Ordinary Shares to be issued upon exercise of the Share Options	Exercise price per Consolidated Ordinary Share
16 July 2018	<u>89,582,907</u>	<u>HK\$0.72</u>	<u>8,958,290</u>	<u>HK\$7.2</u>

Save for the adjustments above, all other terms and conditions of the Share Options granted by the Company remain unchanged.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is expected to be on Tuesday, 14 March 2023, the Shareholders may, during a period between Tuesday, 14 March 2023 and Monday, 24 April 2023 (both days inclusive), submit existing share certificates in light yellow colour for the Existing Ordinary Shares to the Hong Kong Share Registrar, to exchange, at the expense of the Company, for new share certificates in pink colour for the Consolidated Ordinary Shares. It is expected that new share certificates for the Consolidated Ordinary Shares will be available for collection within 10 Business Days from the date of submission for the exchange. Thereafter, the existing share certificates for the Existing Ordinary Shares will be accepted for exchange only on payment of a fee to the Hong Kong Share Registrar of HK\$2.50 (or such higher amount as may be from time to time be specified by the Stock Exchange) for each new share certificate for the Consolidated Ordinary Shares to be issued or each existing share certificate for the Existing Ordinary Shares cancelled, whichever the number of certificates issued or cancelled is higher.

After 4:10 p.m. on Thursday, 20 April 2023, delivery, trading and settlement will only be in Consolidated Ordinary Shares, which share certificates will be issued in pink colour. However, the existing share certificate will remain valid and effective as documents of title to the Consolidated Shares on the basis of ten (10) shares for one (1) Consolidated Share.

LETTER FROM THE BOARD

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Ordinary Shares arising from the Share Consolidation, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Ordinary Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Ordinary Shares. Details of the odd lot arrangement will be set out in the Circular to be despatched to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Fractional Consolidated Ordinary Shares

Fractional Consolidated Ordinary Shares (if any) will be disregarded and will not be issued to the Shareholders otherwise entitled thereto but will be aggregated and sold if possible, for the benefit of the Company.

Reasons for the Share Consolidation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

For the past six months, the share price of the Company has been trading at or below HK\$0.055, and the closing price of the Existing Ordinary Shares on the Latest Practicable Date was HK\$0.012. The existing board lot value has been less than HK\$2,000. Based on the closing price of HK\$0.012 per Existing Ordinary Share as at the Latest Practicable Date and the existing board lot size of 20,000 Existing Ordinary Shares, the Board proposes to implement the Share Consolidation which will increase the nominal value of the shares of the Company and would bring about a corresponding upward adjustment in the expected value per board lot. The Share Consolidation will enable the Company to comply with the trading requirements under the Listing Rules. Accordingly, the Board is of the view that the Share Consolidation is in the interests of the Company and the Shareholders as a whole. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Company and its subsidiaries nor result in change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and save for the Subscription and the Alteration of Terms, the Company does not have any other concrete plan or arrangement to conduct any other fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to meet its operational needs or support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration of Terms and the transactions contemplated respectively thereunder, including but not limited to the issue of the New Convertible Bonds, the allotment and issue of the New Convertible Bonds Conversion Shares, and the grant of the New Convertible Bonds Specific Mandate. INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Chinese Success, a controlling Shareholder, is interested in an aggregate of 811,502,432 Shares, representing approximately 48.28% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, who is interested in 724,000 Shares personally, representing approximately 0.04% of the total number of issued Shares. Therefore, Chinese Success is a connected person of the Company, and the Subscription and Alteration of Terms constitute connected transactions and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has material interest in the Subscription and the Alteration of Terms and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement, the Supplementary Agreement, the Second Supplementary Agreement, the Alteration Consent Letters, the Supplementary Letters, the Second Supplementary Letters and the transactions contemplated thereunder respectively.

Save for the issue of the Existing Convertible Bonds 2 as disclosed in the announcement of the Company dated on 22 October 2021, the Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealings in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it granted any bonus securities, warrants or other convertible securities within such 12-month period as part of such rights issue, open offer or specific mandate placing. Based on the terms of the Subscription and

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the Alteration of Terms and assuming that the maximum number of Existing Convertible Bonds Conversion Shares and New Convertible Bonds Conversion Shares is issued, the Subscription and the Alteration of Terms, on their own or when aggregated with the issue of the Existing Convertible Bonds 2, will not result in theoretical dilution effects of 25% or more and thus complies with the requirement under Rule 7.27B of the Listing Rules.

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 will apply to the Stock Exchange for approval of the Alteration of Terms.

The grant of the Existing Convertible Bonds Specific Mandate for the issue and allotment of the Existing Convertible Bonds Conversion Shares will also be subject to approval by the Independent Shareholders at the EGM. Chinese Success and its associates (including Mr. Lam Ching Kui) are required to abstain from voting on the resolutions in respect of the Subscription and the Alteration of Terms at the EGM.

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

RE-ELECTION OF DIRECTOR

In accordance with article 91 of the Articles of Association, Mr. Hung Hoi Ming Raymond who has been appointed as an independent non-executive director of the Company on 9 January 2023, will retire and, being eligible, offer himself for re-election at the EGM. Biographical and other details of Mr. Hung Hoi Ming Raymond which are required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at 13/F., Admiralty Centre, Tower 2, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 10 March 2023 at 10:30 a.m., to consider and if thought fit, to approve, among other things, (i) the entering into of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the transactions contemplated thereunder; (ii) the Alteration of Terms and the transactions contemplated thereunder; (iii) the Share Consolidation; and (iv) the re-election of Director. A form of proxy for use at the EGM is enclosed with this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Chinese Success and its associates (including Mr. Lam Ching Kui) are required to abstain from voting on the resolutions in respect of the Subscription, the Alteration of Terms and the transactions contemplated respectively thereunder at the EGM. To the best of the Directors'

LETTER FROM THE BOARD

knowledge, information and belief, having made all reasonable enquiries, save for Chinese Success and its associates (including Mr. Lam Ching Kui), no other Shareholder has any material interest in the Subscription, the Alteration of Terms and the transactions contemplated respectively thereunder, and is required to abstain from voting on the resolutions to be proposed at the EGM.

The notice of the EGM is set out on pages 109 to 114 of this circular.

PROXY ARRANGEMENT

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 March 2023 to Friday, 10 March 2023 (both days inclusive), during which period no share transfers will be effected. The Shareholders whose names appeared on the register of members of the Company on Friday, 10 March 2023 are entitled to attend and vote in respect of the resolutions to be proposed at the EGM. 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 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 by no later than 4:00 p.m. on Monday, 6 March 2023.

RECOMMENDATIONS

The Independent Board Committee, having considered the advice from IFA, considers that (i) the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) including the terms of the New Convertible Bonds and the Alteration of Terms are on normal commercial terms, fair and reasonable and 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 resolutions in respect of the Subscription Agreement (as amended by the Supplementary Agreement and the

LETTER FROM THE BOARD

Second Supplementary Agreement), the Alteration of Terms and the transactions contemplated respectively thereunder to be proposed at the EGM.

The recommendation of the Independent Board Committee is set out on page 51 to 52 in this circular and the letter from IFA is set out on pages 53 to 100 in this circular.

The Board considers the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) including the terms of the New Convertible Bonds and the Alteration of Terms are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution in respect of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) including the terms of the New Convertible Bonds and the Alteration of Terms and the transactions contemplated respectively thereunder (including the grant of the New Convertible Bonds Specific Mandate and the Existing Convertible Bonds Specific Mandate) to be proposed at the EGM. The Board also recommends the Shareholders to vote in favour of the resolution to approve the re-election of the Director.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Wai Chun Bio-Technology Limited
Chan Cheuk Ho
Executive Director



偉俊生物科技有限公司

Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 660)

23 February 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS:
PROPOSED ISSUE OF NEW CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE; AND
PROPOSED ALTERATION OF THE TERMS OF
EXISTING CONVERTIBLE BONDS**

We refer to the circular of the Company dated 23 February 2023 (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 Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration of Terms, and the transactions contemplated respectively thereunder (including the grant of the New Convertible Bonds Specific Mandate and the grant of the Existing Convertible Bonds Specific Mandate), 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 the Independent Board Committee 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 in which INCU has taken into consideration in arriving at its recommendations is set out on pages 53 to 100 of the Circular.

Having considered the terms and conditions of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration of Terms, and the transactions contemplated respectively thereunder (including the grant of the New Convertible Bonds Specific Mandate and the grant of the Existing Convertible Bonds Specific Mandate), and after taking into account the principal factors and reasons and the advice of IFA as set out in the “Letter from IFA”, contained in the Circular, we consider that the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration of Terms, and the transactions contemplated respectively thereunder (including the grant of the New Convertible Bonds Specific Mandate and the grant of the Existing Convertible Bonds Specific Mandate), though not in the ordinary and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 resolutions to be proposed at the EGM in respect of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration of Terms, and the transactions contemplated respectively thereunder (including the grant of the New Convertible Bonds Specific Mandate and the grant of the Existing Convertible Bonds Specific Mandate).

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

Ms. Hong Ting
Independent
non-executive Director

Mr. Wan Bo
Independent
non-executive Director

Mr. Hung Hoi Ming Raymond
Independent
non-executive Director

LETTER FROM IFA

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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and the transactions contemplated thereunder.



INCUBIO Corporate Finance Limited
Unit 1402, 14/F, Winsome House
73 Wyndham Street
Central, Hong Kong

23 February 2023

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

Dear Sirs and Madams,

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

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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the transactions contemplated thereunder (the “**Subscription**”) and the Alteration of Terms, 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 23 February 2023 (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 announcements dated 22 December 2022, 10 January 2023 and 13 February 2023, on 22 December 2022 (after trading hours), the Company as an issuer entered into the Subscription Agreement with Chinese Success (a connected person of the Company) pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$14,000,000 under the New Convertible Bonds Specific Mandate. Furthermore, on the same day after trading hours, the Company and the Existing Bondholders have agreed to amend the terms of the Existing Convertible Bonds.

LETTER FROM IFA

In view of the proposed Share Consolidation, on 10 January 2023, the Company and the Subscriber and the Existing Bondholders entered into Supplementary Agreement and Supplementary Letters in relation to the Subscription Agreement and the Alteration Consent Letters respectively, pursuant to which, the parties agreed that the conversion price per ordinary share of the Company be changed from 0.025 per Existing Ordinary Shares to HK\$0.25 per Consolidated Ordinary Shares conditionally upon the Share Consolidation becoming effective.

On 13 February 2023, the Company and Chinese Success entered into the Second Supplementary Agreement pursuant to which the parties agreed to extend the long stop date of the Subscription Agreement to 31 March 2023 (or such other date as may be agreed by the Company and Chinese Success). Save for the above changes, all other terms and the conditions of the Subscription Agreement remain unchanged. On the same day, the Company and the Existing Bondholders also entered into the Second Supplementary Letters pursuant to which the parties agreed to extend the long stop date of the Alteration Consent Letters to 31 March 2023 (or such other date as may be agreed by the Company and the Existing Bondholders). Save for the above changes, all other terms and the conditions of the Alteration Consent Letters shall remain unchanged and in full force and effect.

As at the Latest Practicable Date, Chinese Success, a controlling Shareholder, is interested in an aggregate of 811,502,432 Shares, representing approximately 48.28% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, who is interested in 724,000 Shares personally, representing approximately 0.04% of the total number of issued Shares. Therefore, Chinese Success is a connected person of the Company, and the Subscription and the Alteration of Terms constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Chinese Success and its associates (including Mr. Lam Ching Kui) are required to abstain from voting on the resolutions in respect of the Subscription and the Alteration of Terms and the transactions contemplated respectively thereunder at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Chinese Success and its associates (including Mr. Lam Ching Kui), no other Shareholder has any material interest in the Subscription and the Alteration of Terms and the transactions contemplated respectively thereunder and is required to abstain from voting on the resolutions to be proposed at the EGM.

Except for being appointed as independent financial adviser to the Company regarding the issue of the Existing Convertible Bond 2, which the circular has been despatched on 9 December 2021, we have not acted as an independent financial adviser and have 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 and the Alteration of Terms. We are not associated with the Company, its subsidiaries, its associates or their respective

LETTER FROM IFA

substantial shareholders or associates or any other parties to the Subscription and the Alteration of Terms, and accordingly, are eligible to give independent advice and recommendations on the terms of Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) 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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Hong Ting, Mr. Wan Bo and Mr. Hung Hoi Ming Raymond, has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) 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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, being fair and reasonable so far as the Shareholders are concerned.

BASIS OF OUR OPINION

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

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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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and certain published information from the public domain, including but not limited to, the annual report of the Company for the eighteen months ended 30 June 2022 (the “**Annual Report 2022**”) and the second interim report for the twelve months ended 31 December 2021 (the “**Second Interim Report 2021**”); and (ii) our discussion with the Directors and the management of the Group with respect to the terms of and the reasons for entering into of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters), 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 and the Alteration of Terms, we have taken into consideration of the following principal factors and reasons:

(I) Background of the Subscription and the Alteration of Terms

The Subscription

On 22 December 2022 (after trading hours), the Company entered into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) with Chinese Success (a connected person of the Company) pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$14,000,000 with a conversion price of HK\$0.025 per New Convertible Bonds or, conditional upon Share Consolidation becoming effective, HK\$0.25 per New Convertible Bonds Conversion Share (subject to adjustments), under the New Convertible Bonds Specific Mandate. The New Convertible Bonds are interest free. For further information of the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), please refer to the section headed “(V) Major terms of the Subscription Agreement (as amended by Supplementary Agreement and the Second Supplementary Agreement) and the New Convertible Bonds” below in this letter.

LETTER FROM IFA

Chinese Success, the subscriber and a controlling Shareholder, is interested in an aggregate of 811,502,432 Shares, representing approximately 48.28% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, who is interested in 724,000 Shares personally, representing approximately 0.04% of the total number of issued Shares.

The Alteration of Terms

Reference is made to the announcements of the Company dated 22 October 2021 and 10 January 2023 and the circular of the Company dated 9 December 2021 in relation to, among other things, the alteration of the terms of Existing Convertible Bonds 1 in the aggregate principal amount of HK\$67,000,000 and the issuance of Existing Convertible Bonds 2 in the aggregate principal amount of HK\$21,000,000.

On 22 December 2022 (after trading hours), the Company and the Existing Bondholders entered into the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and conditionally agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.05 per Existing Convertible Bonds Conversion Share to HK\$0.025 per Existing Convertible Bonds Conversion Share or, assuming the Share Consolidation becoming effective, the conversion price of the Existing Convertible Bonds be amended from HK\$0.5 per Existing Convertible Bonds Conversion Share to HK\$0.25 per Existing Convertible Bonds Conversion Share;
- (ii) the Interest Rates be amended from 2% per annum to 0% per annum;
- (iii) the Existing Convertible Bonds be redeemed at 95% of its principal amount at maturity;
- (iv) the maturity date of Existing Convertible Bonds 1 be extended to 18 January 2025 to be in line with the maturity date of Existing Convertible Bonds 2;
- (v) the conversion rights attached to the Existing Convertible Bonds 2 be only exercised on the condition that any conversion of the Existing Convertible Bonds 2 does not trigger a mandatory general offer obligation on the Existing Convertible Bondholder 2 under Rule 26 of the Takeovers Code;
- (vi) the Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 2 in principal amount of HK\$850,000 into 34,000,000 Existing Ordinary Shares or 3,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing

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Convertible Bonds Conversion Shares to be allotted and issued upon conversion representing 1.98% of the total number of issued Shares as enlarged by the allotment and issue of the 34,000,000 Existing Ordinary Shares or 3,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares after the alteration to the terms of the Existing Convertible Bonds 1 and Existing Convertible Bonds 2 are completed (the “**First Undertaking**”); and

- (vii) each of the Existing Convertible Bondholder 1 and Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 1 in principal amount of HK\$1,800,000 and the Existing Convertible Bonds 2 in principal amount of HK\$1,800,000 respectively (the “**Second Undertaking**”) into an aggregate of 144,000,000 Existing Ordinary Shares or 14,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares in aggregate to be allotted and issued upon conversion representing 7.75% of the total number of issued Shares as enlarged by the allotment and issue of the 144,000,000 Existing Ordinary Shares or 14,400,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares one year after the issue of the Conversion Shares as mentioned in above (vi) is completed.

As at the Latest Practicable Date, none of the conversion rights attached to the Existing Convertible Bonds has been exercised by the Existing Bondholders and no Existing Convertible Bonds Conversion Shares were issued by the Company to the Existing Bondholders. According to the existing terms of the Existing Convertible Bonds, a bondholder shall have the right to convert the Existing Convertible Bonds into Conversion Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules.

Save for the above Alteration of Terms, all the other terms and conditions of the Existing Convertible Bonds shall remain unchanged and in full force and effect. For details of the salient terms of the Existing Convertible Bonds after Alteration of Terms, please refer to the section headed “(II) Proposed alterations to the terms of the Existing Convertible Bonds” in the Letter from the Board.

To the best information, knowledge and belief of the Directors, the Existing Bondholders, i.e., Mr. Lam Ching Kui and Chinese Success are connected persons of the Company.

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The Alteration of Terms is conditional upon the following conditions:

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

None of the above conditions can be waived. If any of the conditions above are not fulfilled by the Long Stop Date, the parties to the Alteration of Terms will not proceed.

If the outstanding Existing Convertible Bonds are fully converted at the Existing Convertible Bonds Conversion Price of HK\$0.025 each or subject to the Share Consolidation becoming effective, HK\$0.25 each (subject to adjustments), a maximum of 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Existing Convertible Bonds in full, which represents:

- (i) approximately 209.43% of the issued share capital of the Company as at the Latest Practicable Date;
- (ii) approximately 67.68% of the issued share capital of the Company as to be enlarged by the issue of 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares (assuming there being no other issue or repurchase of Shares); and
- (iii) approximately 61.10% of the issued share capital of the Company as to be enlarged by the issue of 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as Existing Convertible Bonds Conversion Shares and the issue of the 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as New Convertible Bonds Conversion Shares assuming that there is no other change to the total number of Shares

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from the Latest Practicable Date to the date when the Existing Convertible Bonds are converted in full (except for the allotment and issue of the New Convertible Bonds Conversion Shares).

According to the existing terms of the Existing Convertible Bonds, a bondholder shall have the right to convert the Existing Convertible Bonds into Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules. According to the existing terms of the Existing Convertible Bonds 1, any conversion shall also be subject to no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder.

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

(II) Background and financial performance of the Group

Background of the Group

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

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

Financial performance of the Group

On 30 December 2021, the Company announced that the financial year end date of the Company was changed from 31 December to 30 June.

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Set out below is the financial information of the Group for the year ended 31 December 2020, for the twelve months ended 31 December 2021 and for the eighteen months ended 30 June 2022 as extracted from the Second Interim Report 2021 and the Annual Report 2022, respectively:

Consolidated financial performance of the Group

	For the year ended 31 December 2020	For the twelve months ended 31 December 2021	For the eighteen months ended 30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)	(Audited)
Revenue from manufacturing and sale of modified starch and other biochemical products	567,553	495,377	1,007,186
Profit/(loss) for the year/period	995	(12,647)	(1,390)
Loss for the year/period attributable to the owners of the Company	(8,149)	(17,027)	(21,545)

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

All revenue for the year ended 31 December 2020, for the twelve months ended 31 December 2021 and for the eighteen months ended 30 June 2022 were generated from manufacturing and sale of modified starch and other biochemical products. No revenue of general trading was recorded.

As set out in above Table 1, the revenue of the Group for the twelve months ended 31 December 2021 was approximately HK\$495.38 million, representing a decrease of approximately 12.72% as compared with that of approximately HK\$567.55 million for the year ended 31 December 2020. The decrease in revenue was contributed by the relapse of COVID-19 in the PRC in the second half year of 2021. Loss attributable to owners of the Company for twelve months ended 31 December 2021 was approximately HK\$17.03 million, representing an increase of approximately 108.96% as compared with that of approximately HK\$8.15 million for the year ended 31 December 2020. The increase in the loss

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was mainly due to combined effects of the decrease in sales of modified starch and other biochemical products as mentioned above and increase in finance costs.

Based on the revenue of the Group of approximately HK\$495.38 million and HK\$1,007.19 million for the twelve months ended 31 December 2021 and for the eighteen months ended 30 June 2022 respectively, the revenue of the Group for the six months ended 30 June 2022 shall be approximately HK\$511.81 million. However, based on the loss attributable to owners of the Company of approximately HK\$17.03 million and approximately HK\$21.55 million for the twelve months ended 31 December 2021 and for the eighteen months ended 30 June 2022 respectively, the Group recorded loss attributable to owners of the Company of approximately HK\$4.52 million for the six months ended 30 June 2022. According to the Annual Report 2022, the increase in loss attributable to owners of the Company is mainly due to the increase in the finance costs and majority of which were the interest on Existing Convertible Bonds.

Due to the loss attributable to owners of the Company of approximately HK\$21.55 million for the eighteen months ended 30 June 2022 and net current liabilities of the Group of approximately HK\$25.49 million as at 30 June 2022, the auditors of the Company raised the going concern issue in the Annual Report 2022. In order to ensure the Group's financial ability to operate as a going concern, according to the Annual Report 2022, the Directors have been implementing various measures including the provision of loan facilities by the ultimate holding company, conducting negotiation with potential investors to raise sufficient funds; and will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

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Consolidated financial position of the Group

	As at 31 December 2021	As at 30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current assets		
Property, plant and equipment	58,711	67,110
Right-of-use assets	<u>33,712</u>	<u>30,066</u>
	<u>92,423</u>	<u>97,176</u>
Current assets		
Inventories	48,777	60,349
Trade and bill receivables	19,827	48,486
Deposits, prepayment and other receivables	20,656	36,421
Tax refundable	13	–
Bank balances and cash	<u>4,644</u>	<u>7,520</u>
	<u>93,917</u>	<u>152,776</u>
Total assets	<u>186,340</u>	<u>249,952</u>
Current liabilities		
Trade payables	39,944	44,393
Accruals and other payables	21,016	29,479
Contract liabilities	1,788	17,287
Tax payable	–	1,475
Borrowings	85,016	83,522
Lease liabilities	3,161	1,284
Loans from ultimate holding company (i.e., the Shareholder's Loan)	<u>5,505</u>	<u>825</u>
	<u>156,430</u>	<u>178,265</u>

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	As at 31 December 2021	As at 30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	–	–
Convertible bonds	53,688	65,650
	53,688	65,650
Total liabilities	210,118	243,915
Net current liabilities	(62,513)	(25,489)
Net assets/(liabilities)	(23,778)	6,037

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

(i) Non-current assets and current assets

As set out in the above Table 2, the non-current assets of the Group, which consists of property, plant and equipment and right-of-use assets, remained stable over the period between 31 December 2021 and 30 June 2022.

As set out in the above Table 2, the current assets of the Group increased from approximately HK\$93.92 million as at 31 December 2021 to approximately HK\$152.78 million as at 30 June 2022, representing an increase of approximately HK\$58.86 million or 62.67%. The increase in current assets of the Group was mainly due to (a) the increase in trade and bill receivables of approximately HK\$28.66 million resulting from the increase in revenue; and (b) the increase in deposits, prepayment and other receivables of approximately HK\$15.76 million. As at 30 June 2022, the Group had bank balance and cash of approximately HK\$7.52 million.

(ii) Non-current liabilities and current liabilities

As set out in the above Table 2, the majority of non-current liabilities of the Group was the Existing Convertible Bonds, which the Existing Convertible Bond 1 and Existing Convertible Bond 2 will be due on 27 November 2023 (before the Alteration of Terms) and 18 January 2025 respectively. The increase in non-current liabilities was mainly due to the issue of Existing Convertible Bond

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2 in 2021. The current liabilities of the Group increased from approximately HK\$156.43 million as at 31 December 2021 to approximately HK\$178.27 million as at 30 June 2022, representing an increase of approximately HK\$21.84 million or 13.96%. The increase in current liabilities was mainly due to (a) the increase in contract liabilities of approximately HK\$15.50 million, which the Group's obligation to transfer products to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer; and (b) the increase in trade payable of approximately HK\$4.45 million.

(iii) Debt position

The Group had total debts of approximately HK\$147.37 million and approximately HK\$151.28 million (including loans from ultimate holding company, borrowings, convertible bonds and lease liabilities) as at 31 December 2021 and 30 June 2022 respectively. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 57.52% as at 30 June 2022, representing a decrease of approximately 19.07% as compared to approximately 76.59% as at 31 December 2021.

The following table set out the breakdown of the borrowings of the Group as extracted from the Second Interim Report 2021 and the Annual Report 2022:

	As at 31 December 2021	As at 30 June 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Bank loans	64,414	73,208
Loan from the controlling shareholder (i.e., the Other Loan)	16,420	6,081
Loans from independent third parties	4,182	4,233
	85,016	83,522

Table 3: Breakdown of borrowings of the Group

According to the Annual Report 2022, the bank loans of approximately HK\$61.50 million as at 30 June 2022, which shall be due in June and September 2023, are secured by certain leasehold lands in the PRC recorded in right-of-use assets with aggregate carrying amount of approximately HK\$22.22 million as at 30 June 2022. The bank loans of approximately HK\$11.71 million as at 30 June 2022, which shall be due on 21 March 2023, are secured by the trade receivables of approximately HK\$11.71 million. They are arranged at floating rates and

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exposed the Group to cash flow interest rate risk and interest bearing with average interest rate ranged from 4.35% to 4.79% per annum. All bank loans are denominated in Renminbi.

The loans from the controlling shareholder and independent third parties are unsecured, arranged at floating rates and exposed the Group to cash flow interest rate risk and interest bearing at 1% above Hong Kong Prime Rate per annum, repayable on demand and denominated in Hong Kong dollars.

According to the Letter from the Board, as at 30 June 2022, the audited balance of the Shareholder's Loan was approximately HK\$825,000. For the period from 1 July 2022 to the Latest Practicable Date, Wai Chun Investment Fund, the ultimate holding company of the Company, had provided loan monies to the Group for general capital requirements including but not limited to salaries payment and payment of expenses for daily operation of the Group, and the balance of the Shareholder's Loan is expected to increase to approximately HK\$1,500,000, representing an increase of approximately HK\$675,000 from that of the audited balance as at 30 June 2022, at the Completion Date and such balance will be assigned to Chinese Success at the Completion Date. Besides, as at 30 June 2022, the audited balance of the Other Loan was approximately HK\$6,081,000. For the period from 1 July 2022 to the Latest Practicable Date, Mr. Lam Ching Kui, an associate of Chinese Success, had provided loan to the Group for general capital requirements including but not limited to salaries payment, rental payment and settlement of other creditors, and the balance of the Other Loan is expected to increase to approximately HK\$12,500,000, representing an increase of approximately HK\$6,419,000 from that of the audited balance as at 30 June 2022, at the Completion Date and such balance will be assigned to Chinese Success at the Completion Date. On Completion Date, the Company will owe an amount of approximately HK\$14,000,000 to Chinese Success before offsetting the subscription amount of the New Convertible Bonds payable by Chinese Success under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) upon completion of the debt assignment among Chinese Success, Wai Chun Investment Fund and Mr. Lam Ching Kui.

In light of the net loss attributable to owners of the Company as mentioned above, we note that the Group, as at 30 June 2022, incurred (i) a low cash level of only approximately HK\$7.52 million; (ii) high net current liabilities of approximately HK\$25.49 million, including the total bank loans of approximately HK\$73.21 million, which will be due in June and September 2023; (iii) part of non-current liabilities, being the Existing Convertible Bonds 1 with principal amount of approximately HK\$67,000,000 will be due on 27 November 2023 (before the Alteration of Terms); and hence resulting in (iv) going concern issue of the Group. Having considered the financial performance and the financial position of the Group that the Group may not be able to generate sufficient

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funding from operating activities to repay its borrowings, we concur with the Board's view that the issue of the New Convertible Bonds with no interest rate to offset the Shareholder's Loan and the Other Loan and the Alteration of Terms can relieve the Group's financial burden and reduce its finance costs.

(III) Intended use of proceeds and reasons for and benefits of entering into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)

(i) Intended use of proceeds

The gross proceeds from the issue of the New Convertible Bonds are expected to be approximately HK\$14.00 million. The subscription amount payable by Chinese Success under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder Loan and Other Loan, payable by the Company to Chinese Success and/or its associates which are expected to amount to a total of approximately HK\$14.00 million as at Completion Date.

(ii) Reasons for and benefits of entering into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)

According to the Letter from the Board, Mr. Lam Ching Kui had been financing the operations of the Group through the provision of the Shareholder's Loan and the Other Loan to the Group. The Board considers that the Shareholder's Loan which bear interest at 6.25% per annum together with the Other Loan which is also owed to the controlling shareholder (including its ultimate beneficial owner, Mr. Lam Ching Kui), represents a heavy financial burden to the Group as the Group has net current liabilities of approximately HK\$25.49 million as at 30 June 2022.

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 New Convertible Bonds to be the most effective and suitable way for reducing the amount of interest expense incurred by the Group per annum, enhancing the financial position of the Group and reducing the gearing ratio of the Group as (i) the New Convertible Bonds are interest-free (equivalent to the interest rate of the Existing Convertible Bonds after the Alteration of Terms) and will minimise the short-term financial burden to the Group; (ii) the principal amount of the Shareholder's Loan and the Other Loan (together with the accrued interest) will be fully settled without requiring any cash outflow on the Company in the event that the conversion rights of the New

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Convertible Bonds are exercised in full; and (iii) the issue of the New Convertible Bonds would not have an immediate dilution effect on the shareholding of the Company.

We have reviewed the Annual Report 2022 and note that, as at 30 June 2022, the Group had total debt of approximately HK\$151.28 million (including loans from ultimate holding company, borrowings, convertible bonds and lease liabilities) and the net debts to total assets ratio, which was calculated by net debts (net of cash and cash equivalents) divided by total assets of the Group, was approximately 57.52%. The Company may not be able to repay the outstanding borrowings without further external financing given that the bank balances and cash held by the Company was only approximately HK\$7.52 million and the total bank loans of approximately HK\$73.21 million and the Existing Convertible Bonds 1 of approximately HK\$67,000,000 that will be due in 2023 (before the Alteration of Terms).

Moreover, we note that the Shareholder's Loan, which bears interest at 6.25% per annum together with the Other Loan which is also owed to Chinese Success, represents a heavy financial burden to the Group as the Company has a net current liabilities position as at 30 June 2022. Therefore, the Directors are of the view that the financial stress of the Group will be lightened by the savings in finance cost as the proceeds from the Subscription are intended to be applied to offsetting the Shareholder's Loan and Other Loan which carries interest of 6.25% per annum as compared to zero interest rate of the New Convertible Bonds. As a result, the issue of New Convertible Bonds can improve the Group's profitability by reducing its financing costs.

We have also considered the dilution effect of the conversion of the New Convertible Bonds. As illustrated in the section headed "(VII) Dilution effect as a result of the proposed issue of New Convertible Bonds Conversion Shares and conversion of Existing Convertible Bonds after Alteration of Terms" below in this letter, assuming none of the Existing Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to New Convertible Bonds are exercised in full, the shareholding of the Independent Shareholders will be diluted from approximately 51.68% before full conversion of the New Convertible Bonds to approximately 38.76% immediately after full conversion of New Convertible Bonds only, which is not more than 15% of dilution to the shareholding of the Independent Shareholders. Furthermore, the net current liabilities of approximately HK\$25.49 million as at 30 June 2022 will be reduced by approximately HK\$14.00 million to approximately HK\$11.49 million and also the total interest charge by the Shareholder's Loan and Other Loan with an annual interest rate of 6.25% for three years amounted to approximately HK\$2.63 million can be saved, representing a total saving of financial burden amounting to approximately HK\$16.63 million, if the New Convertible Bonds are fully converted immediately after the Subscription.

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As mentioned under the paragraph headed “Other financing alternatives” below, the Group has difficulties to obtain other external financing given the net current liabilities position. In view of (i) the net current liabilities position of the Group as at 30 June 2022; (ii) the New Convertible Bonds have no interest charge to the Group; (iii) the principal amount of the Shareholder’s Loan and the Other Loan (together with the accrued interest) will be fully settled without requiring any cash outflow in the event that the conversion rights of the New Convertible Bonds are exercised in full; (iv) the New Convertible Bonds shall be accounted for as an equity instrument in the Company’s accounts without immediate dilution effect on the shareholding of the Company; (v) the dilution from the conversion of the New Convertible Bonds; and (vi) the gearing ratio of the Group can be improved upon the conversion of the New Convertible Bonds, the issue of New Convertible Bonds can substantially improve the Group’s capital structure, which in turn enhance the ability of the Group to obtain external financing in the future and conduct business expansion, and we consider that the dilution to the shareholding interests of Independent Shareholders, which shall be not more than 15%, after full conversion of the New Convertible Bonds is acceptable and is in the best interests of the Company and its shareholders as a whole.

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

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

(iv) Other financing alternatives

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

(a) Debt financing

The Directors have considered that (i) further debt financing may not be available given the Group’s net current liabilities 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 the Group’s net current liabilities 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);

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(ii) substantial number of Shares are required to be allotted and issued for substantial funding needs, the potential investor(s) may require a substantial placing discount to the trading price of the Shares, and such discount may be more than 20%; (iii) higher cost to arrange a placing of new Shares, as the placing agent would charge commission with reference to certain percentages of the amount of the fund-raising; and (iv) the placing of new Shares will cause immediately dilution to the shareholding of existing Shareholders, therefore, rather than conducting placing of new shares, the entering into the Subscription Agreement represents an opportunity for the Company to improve a net current liabilities position at a reasonable cost.

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares from 1 January 2022 to the Latest Practicable Date as provided by the website of Stock Exchange:

Month	Number of trading days	Total trading volume	Average daily trading volume	% of average daily trading volume to total number of Share in issue (Note)
2022				
January	21	5,190,600	247,171	0.015%
February	17	635,000	37,353	0.002%
March	23	10,533,000	457,957	0.027%
April	18	6,058,000	336,556	0.020%
May	20	1,952,000	97,600	0.006%
June	21	1,680,000	80,000	0.005%
July	20	2,387,572	119,379	0.007%
August	23	1,337,000	58,130	0.0003%
September	21	7,700,000	366,667	0.022%
October	20	8,920,000	446,000	0.027%
November	22	16,465,000	748,409	0.045%
December	20	92,055,000	4,602,750	0.274%
2023				
January	18	332,080,058	18,448,892	1.098%
February (up to the Latest Practicable Date)	13	108,650,000	8,357,692	0.497%
			Maximum	1.098%
			Minimum	0.002%
			Average	0.146%

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

Note: The percentage of average daily trading volume to total number of Shares in issue is calculated by average daily trading volume divided by the total number of issued Shares of 1,680,764,537 Shares.

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As shown in the above table, the percentage of average daily trading volume to total number of Shares in issue ranged from 0.002% to 1.098%, with an average of 0.146%. Therefore, the above analysis of the trading activities of the Shares aligns with the Director's view of thin trading volume and the low liquidity of the Shares as mentioned above.

(c) Rights issue or open offer

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

(v) Conclusion

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

(IV) Reasons for and benefits of Alteration of Terms

According to the Letter from the Board, since the existing conversion prices of the Existing Convertible Bonds is much higher than the prevailing market price of the Shares, the Alteration of Terms, including the amendment to the Existing Convertible Bonds Conversion Price will serve as an incentive for the Existing Bondholders to exercise the conversion rights attached to the Existing Convertible Bonds to convert the Existing Convertible Bonds into the Existing Convertible Bonds Conversion Shares, and the Existing Bondholders have provided Undertakings to convert part of the Existing Convertible Bonds into the Existing Convertible Bonds Conversion Shares representing in aggregate approximately 10% of the total number of issued Shares as at the Latest Practicable Date thereby alleviating the financial pressure on the Company for redemption of all of the Existing Convertible Bonds at the maturity date. With the further redemption discount of up to 5% at the maturity of the Existing Convertible Bonds, the financial pressure on the Company for redemption of the Existing Convertible Bonds at the maturity date would also be further lessened and the reduction of Interest Rate would alleviate the interest burden of

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the Company. Furthermore, as the Company has net current liabilities of approximately HK\$25.49 million as at 30 June 2022, the conversion of the Existing Convertible Bonds into Shares will improve the gearing ratio of the Group, which could facilitate the Company in obtaining alternative source of finance to improve the financial position of the Company. The Board considers that the Alteration of Terms are fair and reasonable and the Alteration of Terms are in the interests of the Company and the Shareholders as a whole. No proceeds will be received by the Company as a result of the Alteration of Terms.

As the Existing Convertible Bonds 1 will be due on 27 November 2023, given that the Group only had bank balance and cash of approximately HK\$7.52 million as at 30 June 2022, after reviewing the Group's financial statement as discussed in section headed "(II) Background and financial performance of the Group" above in this letter, we consider that the Group has financial difficulties to repay the Existing Convertible Bonds 1 with principal amount of HK\$67,000,000. Furthermore, the Alteration of Terms also reduce the amount to be redeemed of the Existing Convertible Bonds at 95% of its principal amount at maturity and cut the Interest Rate to zero. As the original conversion price of the Existing Convertible Bonds is much higher than the prevailing market price of the Shares, which will be further discussed below, and the Existing Convertible Bonds 1 will be due soon, the Alteration of Terms will reduce the conversion price of the Existing Convertible Bonds to same as the conversion price of the New Convertible Bonds that will provide the opportunity to improve the Group's financial position if the Existing Bondholders exercise the conversion rights attached to the Existing Convertible Bond. The Existing Bondholders also undertake to convert part of the Existing Convertible Bonds to further ease the financial burden and improve the gearing ratio of the Group. Even if the Existing Convertible Bonds are not converted, the Existing Convertible Bonds are extended to 18 January 2025 with no interest charge and can be redeemed at 95% of its principal amount at maturity after the Alteration Terms.

We have also considered the dilution effect of the conversion of the New Convertible Bonds. As illustrated in section headed "(VII) Dilution effect as a result of the proposed issue of New Convertible Bonds Conversion Shares and conversion of Existing Convertible Bonds after Alteration of Terms" below in this letter, assuming none of the New Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to Existing Convertible Bonds are exercised in full with the original conversion price, the existing shareholding of the Independent Shareholders will be diluted from approximately 51.68% before full conversion of the Existing Convertible Bonds to approximately 25.24% immediately after full conversion of the Existing Convertible Bonds, as compared with the dilution to approximately 16.71% with the new conversion price under the Alteration of Terms. The Alteration of Terms creates additional dilution effect to the existing shareholding of the Independent Shareholders of 8.53%.

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After considering (i) the financial performance of the Group, as discussed in the section headed “(II) Background and financial performance of the Group” in this letter above, that the Group may not be able to generate sufficient funding from operating activities to repay the Existing Convertible Bonds; (ii) there is no other financing alternatives available to the Group to raise the fund needed for repayment of the Existing Convertible Bonds; (iii) the Group’s financial position can be improved in the event that the Existing Bondholders convert the Existing Convertible Bonds; (iv) Alteration of Terms can reduce the Group’s financial burden by reducing the interest charge and redeemable amount at maturity; and (v) the additional dilution effect to the existing shareholding of the Independent Shareholders is relatively insignificant, we consider that the Alteration of Terms are fair and reasonable.

(V) Major terms of the Subscription Agreement (as amended by Supplementary Agreement and the Second Supplementary Agreement) and the New Convertible Bonds

Issuer	:	The Company
Subscriber	:	Chinese Success
Issue price	:	100% of the principal amount
Principal amount	:	HK\$14,000,000
Conversion price	:	HK\$0.025 per New Convertible Bonds or, conditional upon Share Consolidation becoming effective, HK\$0.25 per New Convertible Bonds Conversion Share, subject to adjustments
Form and denomination	:	The New Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each.
Adjustment events	:	<i>(a) Consolidation or sub-division of the Shares</i>

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.

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

(b) *Capitalisation of profits or reserves*

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

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

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(c) *Capital distribution*

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

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

where:

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

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

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

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

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

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

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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 bondholders (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 New Convertible Bonds registered in their names that the bondholders hold out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

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

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

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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 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 capitalization issues and other events normally giving rise to adjustment of the conversion price provided that corresponding adjustment has already been made to the conversion price in respect of such an event.

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

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- (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 : Free on interest
- New Convertible Bonds Conversion Shares : Based on the principal amount of the New Convertible Bonds of HK\$14,000,000, the New Convertible Bonds is convertible into New Convertible Bonds Conversion Shares at the initial conversion price of HK\$0.025 per New Convertible Bonds or, conditional upon the Share Consolidation becoming effective, HK\$0.25 per New Convertible Bonds Conversion Share (subject to adjustments).
- Conversion period : The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the New Convertible Bonds.
- Conversion rights and restrictions : The holder of the New Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the New Convertible Bonds registered in its name into the New Convertible Bonds Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; (ii) the exercise of the conversion right attached to the New Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) any conversion of the New Convertible Bonds does not trigger a mandatory general offer obligation on the holder of the New Convertible Bonds under Rule 26 of the Takeovers Code.

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- Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) days' notice to the holders of the New Convertible Bonds, propose to the holders to redeem the outstanding New Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding New Convertible Bonds at any time after the date of issue of the New Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the New Convertible Bonds.
- Ranking of New Convertible Bonds Conversion Shares : The New Convertible Bonds Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
- Maturity date : The date falling on the third anniversary of the date of issue of the New Convertible Bonds.
- Voting rights : The holder of the New Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
- Transferability : Subject to compliance with the Listing Rules, the New Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by Chinese Success to any party.
- Listing : No application will be made by the Company for the listing of the New Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares.

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Security : The obligations of the Company under the New Convertible Bonds are unsecured.

For details of the principal terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), please refer to the section headed “Proposed Issue of the New Convertible Bonds under Specific Mandate” in the Letter from the Board.

Upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price of HK\$0.025 each or, subject to the Share Consolidation becoming effective, HK\$0.250 each (subject to adjustments), a maximum of 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) as New Convertible Bonds Conversion Shares will be allotted and issued which represents:

- (i) approximately 33.32% of the total number of issued ordinary shares of the Company as at the Latest Practicable Date;
- (ii) approximately 24.99% of the total number of issued ordinary shares of the Company as enlarged by the allotment and issue of the New Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of issued ordinary shares of the Company from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full; and
- (iii) approximately 9.72% of the total number of issued ordinary shares of the Company as enlarged by the allotment and issue of the New Convertible Bonds Conversion Shares and the allotment and issue of the Existing Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of issued ordinary shares of the Company from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full.

In order to assess the fairness and reasonableness of the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), we have conducted the analysis on the New Convertible Bonds Conversion Price and the new conversion price of Existing Convertible Bonds after the Alteration of Terms, which is same as the New Convertible Bonds Conversion Price, as follows.

The New Convertible Bonds Conversion Price of HK\$0.025 per New Convertible Bonds or, subject to the Share Consolidation becoming effective, HK\$0.250 per New Convertible Bonds Conversion Share represents:

- (i) a premium of approximately 108.33% over the closing price of HK\$0.012 per Existing Ordinary Share as quoted on the Stock Exchange as at the Latest Practicable Date or the theoretical closing price of HK\$0.12 per Consolidated Ordinary Share (after taking into account the effect of the Share Consolidation);

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- (ii) the par value of HK\$0.025 per Existing Ordinary Share or HK\$0.250 per Consolidated Ordinary Share (after taking into account the effect of the Share Consolidation) of the issued share capital of the Company;
- (iii) a premium of approximately 25.00% over the closing price of HK\$0.020 per Existing Ordinary Share as quoted on the Stock Exchange on the Last Trading Day or the theoretical closing price of HK\$0.200 per Consolidated Ordinary Share on the Last Trading Day (after taking into account the effect of the Share Consolidation); and
- (iv) a premium of approximately 31.58% over the average of the closing prices of HK\$0.019 per Existing Ordinary Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the Last Trading Day or the average of the theoretical closing prices of HK\$0.19 per Consolidated Ordinary Share for the last five (5) consecutive trading days immediately preceding the Last Trading Day (after taking into account the effect of the Share Consolidation).

For indicative purpose only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price, a maximum of 560,000,000 New Convertible Bonds Conversion Shares, or subject to the Share Consolidation becoming effective, 56,000,000 New Convertible Bonds Conversion Shares will be allotted and issued, representing approximately 33.0% of the issued share capital of the Company and approximately 25.0% of the issued share capital of the Company as enlarged by the issue of the New Convertible Bonds Conversion Shares upon full conversion of the New Convertible Bonds, assuming that there is no other change to the total number of Shares from Latest Practicable Date.

Basis of the New Convertible Bonds Conversion Price

As stated in the Letter from the Board, the Conversion Price was determined by reference to the recent trading performance of the Shares on the Stock Exchange and is not less than the par value of HK\$0.025 per Existing Ordinary Share of the issued share capital of the Company, or assuming the Share Consolidation becoming effective, HK\$0.250 per Consolidated Ordinary Share of the issued share capital of the Company.

Evaluation on the basis of the New Convertible Bonds Conversion Price and the new conversion price of Existing Convertible Bonds

The new conversion price of Existing Convertible Bonds under the Alteration of Terms is same as the New Convertible Bonds Conversion Price. In assessing the fairness and reasonableness of the basis of the New Convertible Bonds Conversion

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Price and the new conversion price of Existing Convertible Bonds, we have primarily taken into account (i) the net current liabilities of the Company as set out in the section headed “(II) Background and financial performance of the Group” above, (ii) the historical Share price performance; and (iii) the market comparables in respect of recent issuance of convertible bonds/notes as discussed below.

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

In order to assess the fairness and reasonableness of the New Convertible Bonds Conversion Price and the new conversion price of Existing Convertible Bonds, 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 1 June 2022 (being the approximately six months prior to the date of Subscription Agreement) up to and including the Latest Practicable Date (the “**Review Period**”). 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:

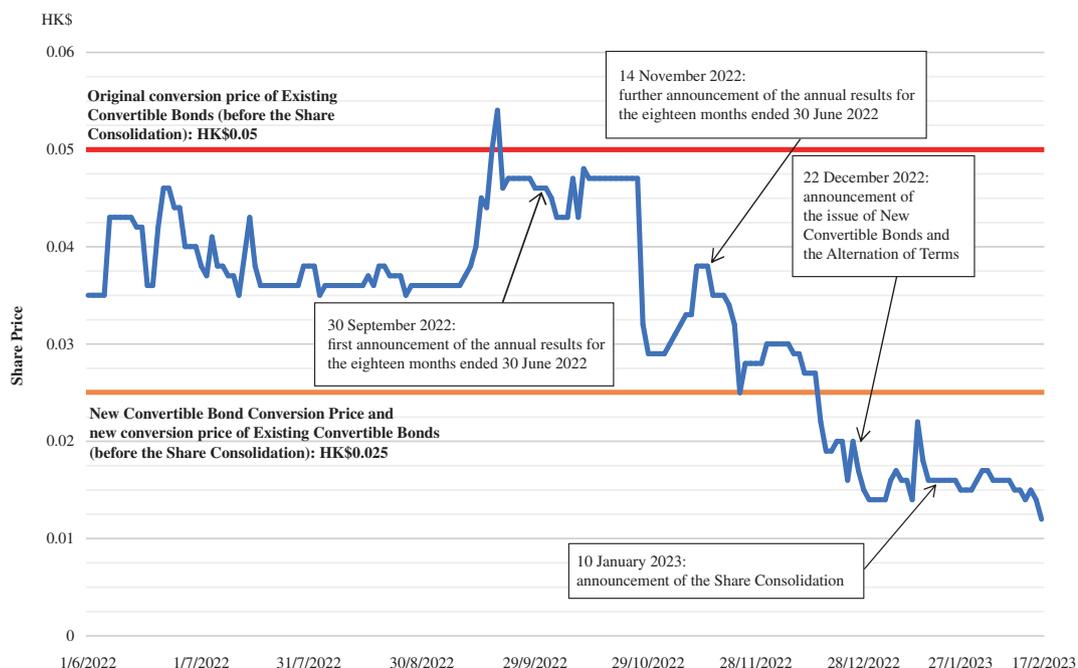


Chart 1: Historical Share price performance of the Company during the Review Period

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\$0.012 per Existing Ordinary Share (equivalent to HK\$0.120 per Consolidated Ordinary Share after taking into account the effect of the Share Consolidation) on 17 February 2023, to the highest of HK\$0.054 per Existing Ordinary Share (equivalent to HK\$0.540 per Consolidated

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Ordinary Share after taking into account the effect of the Share Consolidation) on 20 September 2022 with an average closing price of HK\$0.033 per Existing Ordinary Share (equivalent to HK\$0.330 per Consolidated Ordinary Share after taking into account the effect of the Share Consolidation). The New Convertible Bonds Conversion Price of HK\$0.025 per Existing Ordinary Share and HK\$0.250 per Consolidated Ordinary Share are within the said price range of the Shares between HK\$0.012 per Existing Ordinary Share and HK\$0.054 per Existing Ordinary Share and, after taking into account the effect of the Share Consolidation, between HK\$0.120 per Consolidated Ordinary Share and HK\$0.540 per Consolidated Ordinary Share, respectively. We also note that the New Convertible Bonds Conversion Price represents a discount of approximately 24.24% to the average closing price of HK\$0.033 per Existing Ordinary Share or HK\$0.330 per Consolidated Ordinary Share (after taking into account the effect of the Share Consolidation) during the Review Period. During the Review Period, the trading price of the Shares has been experiencing a substantial downward pressure since September 2022 and although the Hang Seng Index has rebounded since November 2022, the trading price of the Shares is still under downward pressure.

As stated in the Letter from the Board, the Conversion Price was determined by reference to the recent trading performance of the Shares on the Stock Exchange and is not less than the par value of HK\$0.025 per Existing Ordinary Share of the issued share capital of the Company, or, subject to the Share Consolidation becoming effective, HK\$0.25 per Consolidated Ordinary Share of the issued share capital of the Company. Accordingly, given that (i) the new conversion price of Existing Convertible Bonds under the Alteration of Terms is same as the New Convertible Bonds Conversion Price; and (ii) even though the New Convertible Bonds Conversion Price represents a discount of approximately 24.24% to the average closing price during the Review Period, but given (a) the trading price of the Shares has been experiencing a substantial downward pressure since September 2022; (b) the net current liabilities position of the Group; and (c) the New Convertible Bonds Conversion Price represents premium over the closing price on the Last Trading Day and the average of the closing price for the last five (5) consecutive trading days immediately preceding the Last Trading Day, we are of the view that the New Convertible Bonds Conversion Price and the proposed new conversion price of Existing Convertible Bonds under the Alteration of Terms are fair and reasonable.

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

To assess the fairness and reasonable of the key terms of the New Convertible Bonds, namely the conversion price, interest rate and duration, we have identified a list of issue and subscription of convertible bonds/notes exercises as announced by companies listed on the Stock Exchange during last three-month prior to and including 22 December 2022, 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

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provide a general reference of the recent convertible securities transactions being conducted under similar market conditions; and (iii) to generate a reasonable and meaningful number of samples for the purpose of our analysis.

In our assessment, we have searched for companies which (i) are listed on the Stock Exchange; (ii) the transaction involved an issue of convertible securities to raise funds; 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 9 convertible securities (the "**Comparable Transactions**"). We consider that the Comparable Transactions were determined under similar market conditions and sentiment, and hence represent fair and representative samples and provide a general reference of this type of transaction in the market. Therefore, we consider them to be an appropriate basis to assess the fairness of the terms of the New Convertible Bonds. We have excluded perpetual convertible bonds/notes in our analysis as they are considered not comparable to the New Convertible Bonds, in terms of the credit risk and interest rate risk incurred from the maturity of the convertible bonds/notes.

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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 closing price on the respective date of relevant agreement	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days on the date of the relevant agreement
20 December 2022	8037	China Biotech Services Holdings Limited	N	2	8.25	36.79%	34.26%
20 December 2022	527	China Ruifeng Renewable Energy Holdings Limited	N	3	7.00	17.65%	15.38%
16 December 2022	209	Winshine Science Company Limited	N	1	16.00	2.81%	2.81%
22 November 2022	823	Link Real Estate Investment Trust	N	5	4.50	16.50%	13.20%
16 November 2022	138	CCT Fortis Holdings Limited	Y	3	4.50	10.50%	5.82%
14 November 2022	8163	Merdeka Financial Group Limited	Y	1.75	nil	14.81%	14.81%
28 October 2022	6978	Immunotech Biopharm Ltd	N	3	6.00%	(17.21)%	(10.00)%
14 October 2022	209	Winshine Science Company Limited	N	1	16.00%	13.64%	11.61%
30 September 2022	8111	China Technology Industry Group Limited	N	1.5	nil	1,443.20% (Note 1)	1,424.40% (Note 1)
		Maximum		5	16.00%	36.79% (Note 1)	34.26% (Note 1)
		Minimum		1	nil	(17.21)% (Note 1)	(10.00)% (Note 1)
		Average		2.36	6.92%	11.94% (Note 1)	10.99% (Note 1)
22 December 2022		The Group	Y	3	nil	25.00%	31.58%

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

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Note:

- (1) As the premium of conversion price over the closing price on the respective date of relevant agreement and the average closing price for the last five (5) consecutive trading days on the respective date of relevant agreement of China Technology Industry Group 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 17.21% to a premium of approximately 36.79%, with the average being premium of 11.94%. The New Convertible Bonds Conversion Price and the new conversion price of the Existing Convertible Bonds, which represent premium of approximately 25% over the closing price of HK\$0.020 per Existing Ordinary Share as quoted on the Stock Exchange on the Last Trading Day or the theoretical closing price of HK\$0.200 per Consolidated Ordinary Share on the Last Trading Day (after taking into account the effect of the Share Consolidation), are within the range of the Comparable Transactions.

We also note that the premium/(discount) of the conversion price over/to the average closing price for the respective last five (5) consecutive trading days of the Comparable Transactions (after excluding the outliers) ranged from a discount to approximately 10.00% to a premium of approximately 34.26%, with the average being the premium of 10.99%. The New Convertible Bonds Conversion Price and the new conversion price of the Existing Convertible Bonds, which represent a premium of approximately 31.58% over the average of the closing prices of HK\$0.019 per Existing Ordinary Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the Last Trading Day, or the average of the theoretical closing prices of HK\$0.19 per Consolidated Ordinary Share for the last five (5) consecutive trading days immediately preceding the Last Trading Day (after taking into account the effect of the Share Consolidation) based on the average of the closing prices of HK\$0.019 per Existing Ordinary Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the Last Trading Day, are within the range of the Comparable Transactions.

(b) Duration

As shown in the table above, we note that (i) the duration of the Comparable Transactions ranged from 1 year to 5 years with an average duration of 2.36 years; and (ii) out of 8 Comparable Transactions (excluding China Technology Industry Group Limited as an outlier), 3 of them have a duration of three years, which is same as the New Convertible Bonds.

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(c) Interest rate

As shown in the table above, the interest rates of the Comparable Transactions ranged from nil to 16.00% per annum, with an average of approximately 6.92% per annum. We note that the New Convertible Bonds have no interest charge and is within the range of and is below the average of the Comparable Transactions.

(d) Conclusion

Having considered the above analysis and the reasons as set out in the section headed “(III) Intended use of proceeds and reasons for and benefits of entering into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement)” and “(IV) Reasons for and benefits of Alteration of Terms” above, and the New Convertible Bonds Conversion Price and the proposed new conversion price of the Existing Convertible Bonds are within the range of both the premium/(discount) of the conversion price over/to the closing price on the respective date of relevant agreement of the Comparable Transactions and the average closing price for the respective last five (5) trading days of the Comparable Transactions, we are of the view that the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) (including the New Convertible Bonds Conversion Price, interest rate and term to maturity of the New Convertible Bonds) and the Alteration of Terms (including the proposed new conversion price of the Existing Convertible Bonds) are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

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(VI) Changes to shareholding structure as a result of the proposed issue of New Convertible Bonds Conversion Shares and the Alteration of Terms

A. Assuming there is no change in the issued share capital of the Company and Share Consolidation not becoming effective

Set out below the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after full exercise of the Existing Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iii) immediately after full exercise of the New Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iv) immediately after execution of the Undertakings by the Existing Bondholders only (assuming there being no other issue or repurchase of Shares); and (v) immediately after full exercise of the Existing Convertible Bonds and the New Convertible Bonds (assuming there being no other issue or repurchase of Shares) are as follows:

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after full exercise of the Existing Convertible Bonds only (Notes 4 and 6)		(iii) Immediately after full exercise of the New Convertible Bonds only (Notes 4 and 5)		(iv) Immediately after execution of the Undertakings by the Existing Bondholders only (Notes 4 and 7)		(v) Immediately after full exercise of the Existing Convertible Bonds and the New Convertible Bonds (Notes 4 and 8)	
	Number of Existing Ordinary Shares	Approximate %	Number of Existing Ordinary Shares	Approximate %	Number of Existing Ordinary Shares	Approximate %	Number of Existing Ordinary Shares	Approximate %	Number of Existing Ordinary Shares	Approximate %
Chinese Success (Note 1)	811,502,432	48.28	1,651,502,432	31.75	1,371,502,432	61.21	917,502,432	49.36	2,211,502,432	38.39
Lam Ching Kui (Note 2)	724,000	0.04	2,680,724,000	51.54	724,000	0.03	72,724,000	3.91	2,680,724,000	46.53
	812,226,432	48.32	4,332,226,432	83.29	1,372,226,432	61.24	990,226,432	53.27	4,892,226,432	84.92
Public Shareholders	868,538,105	51.68	868,538,105	16.71	868,538,105	38.76	868,538,105	46.73	868,538,105	15.08
Total	1,680,764,537	100.00	5,200,764,537	100.00	2,240,764,537	100.00	1,858,764,537	100.00	5,760,764,537	100.00

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Notes:

- (1) Chinese Success, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, the Chairman and executive Director of the Company, Chinese Success Limited holds 811,502,432 Shares as at the Latest Practicable Date.
- (2) Mr. Lam Ching Kui, the Chairman and executive Director of the Company, directly holds 724,000 Shares as at the Latest Practicable Date.
- (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) For illustration purpose only, pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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) For illustration purpose only, in the event that the New Convertible Bonds are fully converted only, the shareholding of Chinese Success will increase from approximately 48.28% to approximately 61.21%. Since Chinese Success and Mr. Lam Ching Kui, the persons acting in concert hold not less than 30% and not more than 50% in aggregate as at the Latest Practicable Date, if Chinese Success exercises the Conversion Rights attaching to the New Convertible Bonds and such exercise has the effect of increasing its holding of voting rights of the Company by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the relevant exercise, it will trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the New Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the New 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 and it will cause the conversion of the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the New Convertible Bonds under Rule 26 of the Takeovers Code.
- (6) For illustration purpose only, in the event that the Existing Convertible Bonds are fully converted only, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 51.54% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code when such increase is 30% or more by a series of transactions over a period of time or not. Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules and it will cause the conversion of the Existing Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the Existing Convertible Bonds under Rule 26 of the Takeovers Code.
- (7) For illustration purpose only, in the event that the Undertakings are executed by the Existing Bondholders only, the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from approximately 48.32% to approximately 53.27% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Under the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and subject to the Undertakings given by the Existing Bondholders, Chinese Success will initially convert HK\$850,000 Existing Convertible Bonds 2 into 34,000,000 Existing Ordinary Shares, which the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from 48.32% to 50.30%. Chinese Success and Mr. Lam Ching Kui will

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only execute the Second Undertaking after one year when the aforementioned conversion is completed, which does not trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code.

- (8) For illustration purpose only, in the event that both the Existing Convertible Bonds and the New Convertible Bonds are fully converted, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 46.53% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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 and it will cause the conversion of the Existing Convertible Bonds and the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholders of the Existing Convertible Bonds and the New Convertible Bonds under Rule 26 of the Takeovers Code.

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B. Assuming Share Consolidation becoming effective

Set out below the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Share Consolidation becoming effective; (iii) immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iv) immediately after Share Consolidation becoming effective and full exercise of the New Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (v) immediately after Share Consolidation becoming effective and execution of the Undertakings by the Existing Bondholders only (assuming there being no other issue or repurchase of Shares); and (vi) immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds and the New Convertible Bonds (assuming there being no other issue or repurchase of Shares) are as follows:

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after Share Consolidation becoming effective		(iii) Immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds only		(iv) Immediately after Share Consolidation becoming effective and full exercise of the New Convertible Bonds only		(v) Immediately after Share Consolidation becoming effective and execution of the Undertakings by the Existing Bondholders only		(vi) Immediately after Share Consolidation becoming effective and full exercise of the Existing Convertible Bonds and the New Convertible Bonds	
	Number of Existing Ordinary Shares	Approximate %	Number of Consolidated Ordinary Shares	Approximate %	Number of Consolidated Ordinary Shares	Approximate %	Number of Consolidated Ordinary Shares	Approximate %	Number of Consolidated Ordinary Shares	Approximate %	Number of Consolidated Ordinary Shares	Approximate %
Chinese Success (Note 1)	811,502,432	48.28	81,150,243	48.28	165,150,243	31.75	137,150,243	61.21	91,750,243	49.36	221,150,243	38.39
Lam Ching Kui (Note 2)	724,000	0.04	72,400	0.04	268,072,400	51.54	72,400	0.03	7,272,400	3.91	268,072,400	46.53
	812,226,432	48.32	81,222,643	48.32	433,222,643	83.29	137,222,643	61.24	99,022,643	53.27	489,222,643	84.92
Public Shareholders	868,538,105	51.68	86,853,810	51.68	86,853,810	16.71	86,853,810	38.76	86,853,810	46.73	86,853,810	15.08
Total	1,680,764,537	100.00	168,076,453	100.00	520,076,453	100.00	224,076,453	100.00	185,876,453	100.00	576,076,453	100.00

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Notes:

- (1) Chinese Success, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, the Chairman and executive Director of the Company, Chinese Success Limited holds 811,502,432 Existing Ordinary Shares as at the Latest Practicable Date or 81,150,243 Consolidated Ordinary Shares assuming Share Consolidation becoming effective.
- (2) Mr. Lam Ching Kui, the Chairman and executive Director of the Company, directly holds 724,000 Existing Ordinary Shares as at the Latest Practicable Date or 72,400 Consolidated Ordinary Shares assuming Share Consolidation becoming effective.
- (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) For illustration purpose only, pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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) For illustration purpose only, in the event that the New Convertible Bonds are fully converted only, the shareholding of Chinese Success will increase from approximately 48.28% to approximately 61.21%. Since Chinese Success and Mr. Lam Ching Kui, the persons acting in concert, hold not less than 30% and not more than 50% in aggregate as at the Latest Practicable Date, if Chinese Success exercises the Conversion Rights attaching to the New Convertible Bonds and such exercise has the effect of increasing its holding of voting rights of the Company by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the relevant exercise, it will trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the New Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the New 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 and it will cause the conversion of the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the New Convertible Bonds under Rule 26 of the Takeovers Code.
- (6) For illustration purpose only, in the event that the Existing Convertible Bonds are fully converted only, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 51.54% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code when such increase is 30% or more by a series of transactions over a period of time or not. Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholder shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules and it will cause the conversion of the Existing Convertible Bonds to trigger a mandatory general offer obligation on the bondholder of the Existing Convertible Bonds under Rule 26 of the Takeovers Code.
- (7) For illustration purpose only, in the event that the Undertakings are executed by the Existing Bondholders only, the shareholding of Chinese Success and Mr. Lam Ching Kui in aggregate will increase from approximately 48.32% to approximately 53.27% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Under the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and subject to the Undertakings given by the Existing Bondholders, Chinese Success will initially convert HK\$850,000 Existing Convertible Bonds 2 into 3,400,000 Consolidated Ordinary Shares upon the Share Consolidation becoming effective, which the shareholding of

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Chinese Success and Mr. Lam Ching Kui in aggregate will increase from 48.32% to 50.30%. Chinese Success and Mr. Lam Ching Kui will only execute the Second Undertaking after one year when the aforementioned conversion is completed, which does not trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code.

- (8) For illustration purpose only, in the event that both the Existing Convertible Bonds and the New Convertible Bonds are fully converted, the shareholding of Mr. Lam Ching Kui will increase from approximately 0.04% to approximately 46.53% which may trigger mandatory general offer obligation under Rule 26 of the Takeovers Code. Pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New 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 and it will cause the conversion of the Existing Convertible Bonds and the New Convertible Bonds to trigger a mandatory general offer obligation on the bondholders of the Existing Convertible Bonds and the New Convertible Bonds under Rule 26 of the Takeovers Code.

(VII) Dilution effect as a result of the proposed issue of New Convertible Bonds Conversion Shares and conversion of Existing Convertible Bonds after Alteration of Terms

A. Assuming full exercise of the Existing Convertible Bonds and none of the New Convertible Bonds to be converted

For indicative purposes only, before the Alteration of Terms, a maximum of 1,760,000,000 Existing Ordinary Shares or 176,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation being effective) as Existing Convertible Bonds can be converted into Existing Convertible Bonds Conversion Shares in full. Assuming none of the New Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to Existing Convertible Bonds are exercised in full with the original conversion price, the existing shareholding of the Independent Shareholders will be diluted from approximately 51.68% before full conversion of the Existing Convertible Bonds to approximately 25.24% immediately after full conversion of the Existing Convertible Bonds.

After the Alteration of Terms, a maximum of 3,520,000,000 Existing Ordinary Shares or 352,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation being effective) as Existing Convertible Bonds Conversion Shares to be converted in full shall represent approximately 209.43% of the total number of issued Shares and approximately 67.68% of the total number of issued Shares as enlarged by the allotment and issue of the Existing Conversion Bonds Conversion Shares. Assuming none of the New Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to Existing Convertible Bonds are exercised in full with the new conversion price under the Alteration of Terms, the existing shareholding of the

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Independent Shareholders will be diluted from approximately 51.68% before full conversion of the Existing Convertible Bonds to approximately 16.71% immediately after full conversion of the Existing Convertible Bonds. Based on the above illustration, the increase in dilution effect to the existing shareholding of the Independent Shareholders from Alteration of Terms would be approximately 8.53%.

B. Assuming full exercise of the New Convertible Bonds and none of the Existing Convertible Bonds to be converted

For indicative purposes only and subject to the minimum public float requirement of the Listing Rules and the relevant restrictions under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price, the New Convertible Bonds will be convertible into 560,000,000 Existing Ordinary Shares or 56,000,000 Consolidated Ordinary Shares (subject to the Share Consolidation become effective), representing approximately 33.32% of the existing issued share capital of the Company and approximately 24.99% of the issued share capital of the Company as enlarged by the issue of the New Convertible Bonds Conversion Shares upon full conversion of the New Convertible Bonds. Assuming none of the Existing Convertible Bonds are converted and no outstanding share options of the Company being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to New Convertible Bonds are exercised in full, the shareholding of the Independent Shareholders (in this case, the Existing Bondholders and the public shareholders) will be diluted from approximately 51.68% before full conversion of the New Convertible Bonds to approximately 38.76% immediately after full conversion of the New Convertible Bonds only.

In both above scenario, it has been set out in the terms of the New Convertible Bonds and Existing Convertible Bonds that Chinese Success and the Existing Bondholders may only convert such number of New Convertible Bonds and Existing Convertible Bonds as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion and according to the Alteration of Terms, the conversion rights attached to the New Convertible Bonds and Existing Convertible Bonds shall only be exercised on the condition that any conversion of the New Convertible Bonds and Existing Convertible Bonds does not: (a) trigger a mandatory general offer obligation on the Existing Bondholders under Rule 26 of the Takeovers Code; and (b) result in Mr. Lam Ching Kui and any parties acting in concert with him (including Chinese Success) ceasing to be the controlling Shareholder of the Company within the meaning of the Listing Rules.

In view of (i) the reasons for and benefits of entering into the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) as set out above; (ii) the reasons for and benefits of

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Alteration of Terms as set out above; (iii) the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the issue of New Convertible Bonds being fair and reasonable and in the interests of the Shareholders as a whole; (iv) the additional dilution effect to the existing shareholding of the Independent Shareholders from Alteration of Terms and issue of New Convertible Bonds respectively; and (v) the restriction of the minimum public float requirement under the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the terms of Existing Convertible Bonds, 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 (as amended by the Supplementary Agreement and the Second Supplementary Agreement) and the terms of Existing Convertible Bonds) to the shareholding interests of the Independent Shareholders is acceptable.

(VIII) Financial effects as a result of the proposed issue of the New Convertible Bonds and Alteration of Terms

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

(i) Net assets value and gearing

It is expected that the Subscription will not have an immediate material impact on the net asset value and gearing ratio of the Group. However, the net asset value and gearing ratio of the Group are expected to improve upon conversion of the New Convertible Bonds with the reduction in the overall indebtedness and the increase in total equity of the Group. Assuming the New Convertible Bonds are fully converted immediately after the Subscription, the net assets of approximately HK\$6.0 million as at 30 June 2022 will be increased by approximately HK\$14.00 million to net assets of approximately HK\$20.0 million. Accordingly, the gearing ratio (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, will be reduced from approximately 57.52% as at 30 June 2022 to approximately 51.91%.

It is expected that the Alteration of Terms will not have an immediate material impact on the net asset value and gearing ratio of the Group. However, the net asset value and gearing ratio of the Group are expected to improve upon conversion of the Existing Convertible Bonds with the reduction in the overall indebtedness and the increase in total equity of the Group. Assuming the Existing Convertible Bonds are fully converted immediately after the Alteration of Terms, the net assets of approximately HK\$6.0 million as at 30 June 2022 will be increased by approximately

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HK\$65.65 million to net assets of approximately HK\$71.65 million. Accordingly, the gearing ratio will be reduced from approximately 57.52% as at 30 June 2022 to approximately 31.25%.

For illustrative purpose only, taking into account the public float restriction on the conversion rights and the Undertakings, a maximum of approximately HK\$44.83 million of the Existing Convertible Bonds and New Convertible Bonds can be converted to approximately 1,793,387,883 Existing Ordinary Shares or approximately 179,338,788 Consolidated Ordinary Shares (assuming Share Consolidation becoming effective). Accordingly, the net assets as at 30 June 2022 will be increased to approximately HK\$50.83 million if such amount of Existing Convertible Bonds and New Convertible Bonds are converted, and the gearing ratio will be reduced from approximately 57.52% as at 30 June 2022 to approximately 39.58%.

(ii) Earnings

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

As the interest rate of the Existing Convertible Bonds will be reduced after the Alteration of Terms, it is expected that the Alteration of Terms will improve the earnings of the Group by reducing finance costs.

RECOMMENDATION

Having taken into account the principal factors and reasons as discussed above, in particular, the benefits of and reasons for the Subscription and the Alteration of Terms, terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement) (including the New Convertible Bonds Conversion Price, the interest rate and the duration of the New Convertible Bonds) and the revised terms of the Existing Convertible Bonds under Alteration of Terms and dilution and financial effects of the Subscription and the conversion of the Existing Convertible Bonds, we are of the view that although the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the

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Supplementary Letters and the Second Supplementary Letters) 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 EGM for approving the terms of the Subscription Agreement (as amended by the Supplementary Agreement and the Second Supplementary Agreement), the Alteration Consent Letters (as amended by the Supplementary Letters and the Second Supplementary Letters) and the transactions contemplated thereunder.

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, 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 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 to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO. As at the Latest Practicable Date, none of the Directors is also director or employee of any substantial shareholder of the Company.

Name of Shareholder	Capacity/nature of interest	Number of Shares/underlying Shares held	Approximate percentage of shareholdings
Mr. Lam Ching Kui (Note 1)	Beneficial owner Interest of controlled corporation	1,340,724,000 (L) 1,231,502,432 (L)	79.77% 73.27%
Wai Chun Investment Fund (Note 1)	Interest of controlled corporation	1,231,502,432 (L)	73.27%

Name of Shareholder	Capacity/nature of interest	Number of Shares/underlying Shares held	Approximate percentage of shareholdings
Chinese Success (Note 1)	Beneficial owner	1,231,502,432 (L)	73.27%
Onward Global Investments Limited (“ Onward Global ”) (Note 2)	Beneficial owner	128,636,000 (L)	7.65%
Wan Yuzhen (Note 2)	Interest of controlled corporation	128,636,000 (L)	7.65%
Fair Concourse Limited (“ Fair Concourse ”) (Note 3)	Beneficial owner	141,270,400 (L)	8.41%
Mai Xiu Qun (Note 3)	Interest of controlled corporation	141,270,400 (L)	8.41%
South Bright Holdings Limited (“ South Bright ”) (Note 4)	Beneficial owner	101,723,370 (L)	6.05%
Wan Qian Yi (Note 4)	Interest of controlled corporation	101,723,370 (L)	6.05%

Notes:

- (1) As at the Latest Practicable Date, Mr. Lam Ching Kui directly holds 724,000 Shares and the 2% coupon convertible bonds in the principal amount of HK\$67,000,000 under which 1,340,000,000 Shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

As at the Latest Practicable Date, Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 811,502,432 Shares held by Chinese Success. Wai Chun Investment Fund is the sole shareholder of Chinese Success, which directly holds 811,502,432 Shares and is the holder of 2% coupon convertible bonds in the principal amount of HK\$21,000,000 under which 420,000,000 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.

- (2) As at the Latest Practicable Date, 128,636,000 Shares were held by Onward Global which is wholly owned by Wan Yuzhen. For the purpose of the SFO, Wan Yuzhen is deemed to be interested in these 128,636,000 Shares held by Onward Global.
- (3) As at the Latest Practicable Date, 141,270,400 Shares were held by Fair Concourse which is wholly owned by Mai Xiu Qun. For the purpose of the SFO, Mai Xiu Qun is deemed to be interested in these 141,270,400 Shares held by Fair Concourse.

- (4) As at the Latest Practicable Date, 101,723,370 Shares were held by South Bright which is wholly owned by Wan Qian Yi. For the purpose of the SFO, Wan Qian Yi is deemed to be interested in these 101,723,370 Shares held by South Bright.

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

3. DIRECTORS’ SERVICE CONTRACTS

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

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

(a) Director’s interests in contracts

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

(b) Director’s interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 30 June 2022, 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 30 June 2022, being the date to which the latest published audited consolidated financial statements of the Group 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 disclosed in the annual report of the Company for the eighteen months ended 30 June 2022, the audited loss attributable to owners of the Company was approximately HK\$21.55 million for the eighteen months ended 30 June 2022 as compared with the audited loss attributable to owners of the Company of approximately HK\$8.15 million for the twelve months ended 31 December 2020. The increase in the audited loss attributable to owners of the Company was mainly due to the increase in imputed interest expenses on the convertible bonds to approximately HK\$14.05 million and the recognition of losses on issuance of convertible bonds and modification of convertible bonds terms in an aggregated amount of approximately HK\$8.36 million for the eighteen months ended 30 June 2022. As at 30 June 2022, the Group had audited net current liabilities of approximately HK\$25.49 million, representing a decrease of approximately 57.33%, as compared with that of approximately HK\$59.74 million as at 31 December 2020. The audited consolidated net asset value of the Group as at 30 June 2022 was approximately HK\$6.04 million while it was an audited consolidated net liabilities of the Group as at 31 December 2020 of approximately HK\$12.97 million.

Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the conditional subscription agreement dated 22 October 2021 entered into between the Company and Chinese Success in relation to the subscription of the convertible bonds in an aggregate principal amount of HK\$21,000,000 (to be issued by the Company) by Chinese Success;
- (ii) the Subscription Agreement, details of which are set out in the section headed “(I) Proposed issue of New Convertible Bonds under specific mandate” in the Letter from the Board in this circular;
- (iii) the Supplementary Agreement, details of which are set out in the section headed “(I) Proposed issue of New Convertible Bonds under specific mandate” in the Letter from the Board in this circular; and
- (iv) the Second Supplementary Agreement, details of which are set out in the section headed “(I) Proposed issue of New Convertible Bonds under specific mandate” in the Letter from the Board in this circular.

8. GENERAL

- (i) The company secretary of the Company is David Fenn, who is a practising solicitor in Hong Kong.
- (ii) The registered office of the Company is situated at P.O. Box 31119, Grand Pavilion, Hibiscus Bay, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The principal place of business of the Company in Hong Kong is situated at 13/F, Admiralty Centre, Tower 2, 18 Harcourt Road, Admiralty, Hong Kong.
- (iii) The Hong Kong share registrar and transfer office is Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (iv) This circular has been printed in English and Chinese. In the event of inconsistency, the English version shall prevail.

9. DOCUMENTS ON DISPLAY

The following documents will be available on the website of the Company (www.0660.hk) and the website of the Stock Exchange (www.hkexnews.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 IFA” in this circular;
- (iii) the written consent referred to in the paragraph headed “5. Expert’s qualification and consent” in this appendix I;
- (iv) the Subscription Agreement;
- (v) the Supplementary Agreement;
- (vi) the Second Supplementary Agreement;
- (vii) the Alteration Consent Letters;
- (viii) the Supplementary Letters;
- (ix) the Second Supplementary Letters; and
- (x) this circular.

APPENDIX II DETAILS OF THE RETIRING DIRECTOR SUBJECT TO RE-ELECTION

The particulars of Mr. Hung Hoi Ming Raymond (independent non-executive Director) who will retire and, being eligible, offer himself for re-election at the EGM are set out as follows:

Mr. Hung Hoi Ming Raymond (“**Mr. Hung**”), aged 41, has been appointed as an independent non-executive Director since 9 January 2023. Mr. Hung has about 18 years of experience in corporate finance, listings, restructurings, mergers and acquisitions and investment. He graduated from York University in Toronto, Canada with a bachelor degree in information technology in 2005. Mr. Hung also obtained a master degree in global finance from the Hong Kong University of Science and Technology and the New York University Stern School of Business in 2011. Mr. Hung worked at various private and listed companies. He started off as an analyst at Joy Silver Limited (formerly known as Baron Capital Limited) in November 2005 and advised on a range of matters such as mergers and acquisitions. He served as the vice president of finance in Alpine Summit Energy Partners, Inc. (formerly known as Red Pine Petroleum Ltd.) (stock code: ALPSU), whose shares have been listed on the TSX Venture Exchange since 2014, for the period from April 2013 to February 2016, during which he worked on matters such as restructurings. Mr. Hung joined China Success Finance Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3623), as an executive director from September 2017 to September 2018. Mr. Hung has been an executive director of First Seafront International Capital Limited since August 2019. He is responsible for a number of duties, including facilitating overseas mergers for PRC enterprises. Mr. Hung was an independent non-executive director of Wai Chun Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1013), from June 2022 to August 2022. Mr. Hung has been the independent non-executive director of Goldstone Capital Group Limited (formerly known as Youth Champ Financial Group Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1160), since August 2022.

Mr. Hung has not entered into any service contract with the Company and has entered into a letter of appointment with the Company as an independent non-executive Director for a term of two years from 9 January 2023. In accordance with the Articles of Association, Mr. Hung is subject to retirement by rotation and re-election. Mr. Hung would receive a director’s fee of HK\$120,000 per year which is determined with reference to his qualifications, experience, duties and responsibilities with the Company, and the prevailing market conditions.

Save as disclosed above, as at the Latest Practicable Date, Mr. Hung (i) does not have any relationship with any other director, senior management or substantial or controlling shareholders of the Company; (ii) is not interested or deemed to be interested in the shares of the Company or its associated companies within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (iii) has not entered into or proposed to enter into any other service agreement with the Company or any member of the Group; (iv) does not hold any other position with the Company or any of its subsidiaries; and (v) has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

APPENDIX II DETAILS OF THE RETIRING DIRECTOR SUBJECT TO RE-ELECTION

Save as disclosed above, the Board is not aware of any other matters which should be brought to the attention of the Shareholders, nor is there any information to be disclosed pursuant to any of the requirements under the provisions of Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.



偉俊生物科技有限公司
Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 660)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Meeting**”) of Wai Chun Bio-Technology Limited (the “**Company**”) will be held at 13/F, Admiralty Centre, Tower 2, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 10 March 2023 at 10:30 a.m. to consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the granting of approval by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of, and permission to deal in, the issued and unissued shares of the Company consolidated in the manner as set out in paragraph (a) of this resolution below (the “**Share Consolidation**”):
 - (a) with effect from the second business day immediately following the date on which this resolution is passed:
 - (i) every ten (10) issued and unissued existing ordinary shares of HK\$0.025 each in the share capital of the Company be consolidated into one (1) consolidated ordinary share of HK\$0.25 (the “**Consolidated Ordinary Share(s)**”) and every ten (10) issued and unissued existing convertible preference shares of HK\$0.025 each in the share capital of the Company be consolidated into one (1) consolidated convertible preference share of HK\$0.25 (the “**Consolidated Convertible Preference Share(s)**”);
 - (ii) all of the Consolidated Ordinary Shares shall rank *pari passu* in all respects with each other in the same class and the Consolidated Convertible Preference Shares will rank *pari passu* in all respects with each other in that class and have the rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company; and
 - (iii) all fractional Consolidated Ordinary Shares resulting from the Share Consolidation will be disregarded and will not be issued or given to holders of the same but all such fractional Consolidated Ordinary Shares will be aggregated and, if possible, sold and retained for the benefits of the Company in such manner and on such terms as the directors (the “**Director(s)**”) of the Company may think fit; and

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

2. **“THAT:**

- (a) the conditional subscription agreement dated 22 December 2022 as amended by the supplementary agreement dated 10 January 2023 and the second supplementary agreement dated 13 February 2023 (the “**Subscription Agreement**”) entered into between the Company and Chinese Success Limited in respect of the issue of convertible bonds in an aggregate principal amount of HK\$14,000,000 (the “**New Convertible Bonds**”) (copies 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 all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the New Convertible Bonds by the Company in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (c) the allotment and issue of new ordinary shares of HK\$0.025 or, subject to the passing of the above ordinary resolution no. 1, Consolidated Ordinary Shares of HK\$0.25 each in the share capital of the Company (the “**New Convertible Bonds Conversion Shares**”) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the New Convertible Bonds in accordance with the terms and conditions thereof be and are hereby approved;
- (d) conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares, the specific mandate to the Directors to exercise the powers of the Company for the allotment and issue of the New Convertible Bonds Conversion Shares in accordance with the terms and conditions of the New Convertible Bonds be and is hereby approved; and
- (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 all the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she/they considers necessary or expedient in his/her/their opinion to implement and/or give effect to the issue of the New Convertible Bonds and the allotment and issue of the New Convertible Bonds Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the New Convertible Bonds.”

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3. **“THAT:**

- (a) the terms of the 2% coupon convertible bonds due 2023 issued by the Company on 27 November 2020 in the aggregate principal amount of HK\$67,000,000 (the **“Existing Convertible Bonds 1”**) and the terms of the 2% coupon convertible bonds due 2025 issued by the Company on 18 January 2022 in the aggregate principal amount of HK\$21,000,000 (the **“Existing Convertible Bonds 2”**, together with the Existing Convertible Bonds 1 collectively referred to as the **“Existing Convertible Bonds”**) be amended as follows (the **“Alteration of Terms of the Existing Convertible Bonds”**):
- (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.05 per ordinary share of HK\$0.025 in the Company (the **“Existing Convertible Bonds Conversion Shares”**) to HK\$0.025 per Existing Convertible Bonds Conversion Share or, HK\$0.25 per Existing Convertible Bonds Conversion Share, subject to the passing of the above ordinary resolution no. 1, and subject to adjustment in accordance with the terms of the Existing Convertible Bonds;
 - (ii) the interest rate of the Existing Convertible Bonds be amended from 2% per annum to 0% per annum;
 - (iii) the Existing Convertible Bonds be redeemed at 95% of its principal amount at maturity;
 - (iv) the maturity of Existing Convertible Bonds 1 be extended to 18 January 2025 to be in line with the maturity date of Existing Convertible Bonds 2;
 - (v) the conversion rights attached to the Existing Convertible Bonds 2 be only exercised on the condition that any conversion of the Existing Convertible Bonds 2 does not trigger a mandatory general offer obligation on the bondholder of the Existing Convertible Bonds 2 under Rule 26 of the Hong Kong Code on Takeovers and Mergers;
 - (vi) the bondholder of the Existing Convertible Bonds 2 providing an undertaking to convert the Existing Convertible Bonds 2 in principal amount of HK\$850,000 into 34,000,000 existing ordinary shares of the Company or 3,400,000 consolidated ordinary shares of the Company (subject to the passing of the above ordinary resolution no. 1) as Existing Convertible Bonds Conversion Shares to be allotted and issued upon conversion representing 1.98% of the total number of issued ordinary shares of the Company as enlarged by the allotment and issue of the 34,000,000 existing ordinary shares of the Company or 3,400,000 consolidated ordinary shares of the Company (subject to the passing of the above ordinary resolution no.

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- 1) as Existing Convertible Bonds Conversion Shares after the alteration to the terms of the Existing Convertible Bonds 1 and Existing Convertible Bonds 2 are completed; and
- (vii) each of the bondholder of the Existing Convertible Bonds 1 and the bondholder of the Existing Convertible Bonds 2 providing an undertaking to convert the Existing Convertible Bonds 1 in principal amount of HK\$1,800,000 and the Existing Convertible Bonds 2 respectively in principal amount of HK\$1,800,000 respectively into an aggregate of 144,000,000 existing ordinary shares of the Company or 14,400,000 consolidated ordinary shares of the Company (subject to the passing of the above ordinary resolution no. 1) as Existing Convertible Bonds Conversion Shares in aggregate to be allotted and issued upon conversion representing 7.75% of the total number of issued ordinary shares of the Company as enlarged by the allotment and issue of the 144,000,000 existing ordinary shares of the Company or 14,400,000 consolidated ordinary shares of the Company (subject to the passing of the above ordinary resolution no. 1) as Existing Convertible Bonds Conversion Shares one year after the issue of the Conversion Shares as mentioned in above (vi) is completed;
- (b) the letter dated 22 December 2022 as amended by the supplementary letter dated 10 January 2023 and the second supplementary letter dated 13 February 2023 (the “**Alteration Consent Letter 1**”) entered into between the Company and Mr. Lam Ching Kui in relation to the alteration to the terms of the Existing Convertible Bonds 1 (copies of which marked “B” has been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose) and all the transactions contemplated thereunder and all other matters thereof and incidental thereto and in connection therewith, be and are hereby approved, confirmed and/or ratified (as the case may be);
- (c) the letter dated 22 December 2022 as amended by the supplementary letter dated 10 January 2023 and the second supplementary letter dated 13 February 2023 (the “**Alteration Consent Letter 2**”) entered into between the Company and Chinese Success Limited in relation to the alteration to the terms of the Existing Convertible Bonds 2 (copies of which marked “C” has been produced to the Meeting and initialled by the chairman of the Meeting for identification purpose) and all the transactions contemplated thereunder and all other matters thereof and incidental thereto and in connection therewith, be and are hereby approved, confirmed and/or ratified (as the case may be);
- (d) any one or more Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 3,520,000,000 existing ordinary shares of the Company or 352,000,000 consolidated ordinary shares of the Company (subject to the passing of the above ordinary resolution no. 1) as Existing Convertible

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Bonds Conversion Shares (subject to adjustment) which may be issued by the Company upon full exercise of the conversion rights attached to the Existing Convertible Bonds; and

- (e) any one or more Directors be and are hereby authorised to do all such acts, deeds and things and to sign and execute all such documents, including under the seal of the Company (where applicable), on behalf of the Company, as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient for the purposes of or in connection with the implementation of the Alteration Consent Letter 1 and the Alteration Consent Letter 2 and all the transactions contemplated respectively thereunder, including but not limited to the execution of all such documents under seal where applicable to implement and/or give effect to the Alteration of Terms of the Existing Convertible Bonds.”

4. “**THAT:**

- (a) Mr. Hung Hoi Ming Raymond be re-elected as an independent non-executive Director; and
- (b) the board of Directors be authorised to fix the remuneration of the Director.”

On behalf of the Board
Wai Chun Bio-Technology Limited
Chan Cheuk Ho
Executive Director

Hong Kong, 23 February 2023

Registered office:

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

Head office and principal place of business in Hong Kong:

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

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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 Hong Kong 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 (i.e. not later than 10:30 a.m. on Wednesday, 8 March 2023 (Hong Kong time)) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
4. The register of members of the Company will be closed from Tuesday, 7 March 2023 to Friday, 10 March 2023 (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 share registrar in Hong Kong at the above address by no later than 4:00 p.m. on Monday, 6 March 2023.
5. In case a Typhoon Signal No. 8 (or above) or a Black Rainstorm Warning Signal or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in force but lowered before 7:00 a.m. on Friday, 10 March 2023, the Meeting will be held as scheduled at 10:30 a.m. on the same day at the same venue; or a Typhoon Signal No. 8 (or above) or a Black Rainstorm Warning Signal or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in force any time after 7:00 a.m. on Friday, 10 March 2023, the Meeting will be adjourned to another appropriate date and time at the same venue to be announced by the Company.
6. Precautionary measures are taken to safeguard the health and safety of the shareholders of the Company and attendees, and to prevent and control the spread of novel coronavirus (COVID-19) at the Meeting, including:
 - Compulsory body temperature checks for each attendee. Anyone with a body temperature above 37.5 degrees may be denied entry into the venue of the Meeting, at the absolute discretion of the Company as permitted by law.
 - Compulsory wearing of surgical face masks for each attendee and maintaining a safe distance between seats.
 - No souvenirs, drinks or refreshments will be served at the Meeting.
7. As at the date of this notice, the board of directors of the Company consists of one executive director, namely Mr. Chan Cheuk Ho and three independent non-executive directors, namely Ms. Hong Ting, Mr. Wan Bo and Mr. Hung Hoi Ming Raymond.