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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**偉俊集團控股有限公司\***  
**Wai Chun Group Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1013)**

**(I) CONNECTED TRANSACTION:  
PROPOSED ALTERATION TO THE TERMS OF  
THE EXISTING CONVERTIBLE BONDS;  
(II) PROPOSED SHARE CONSOLIDATION AND  
CHANGE IN BOARD LOT SIZE;  
AND  
(III) NOTICE OF SPECIAL GENERAL MEETING**

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



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The notice convening the special general meeting (the “SGM”) of Wai Chun Group Holdings Limited (the “Company”) to be held at Rooms 4001-02, 40/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong at 11:00 a.m. on Monday, 13 November 2023 is set out on pages 49 to 52 of this circular.

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

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## DEFINITIONS

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

“2021 Specific Mandate”	the specific mandate granted to the Directors at the special general meeting of the Company held on 28 December 2021 for the allotment and issue of Conversion Shares to be issued upon exercise of the Conversion Rights
“Alteration Consent Letters”	the letters entered into between the Existing Bondholder A and the Company dated 29 August 2023 in relation to the Alteration of Terms
“Alteration of Terms”	(a) the proposed reduction of the Interest Rates from 2% per annum to 1% per annum; and (b) the proposed extension of the maturity dates of the Existing Convertible Bonds to 31 August 2025
“Announcement”	the announcement of the Company dated 29 August 2023 in relation to the Alteration of Terms
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the issued shares of the Company for trading from 20,000 Existing Ordinary Shares to 10,000 Consolidated Ordinary Shares
“Company”	Wai Chun Group Holdings Limited, a company incorporated in Bermuda, whose issued Shares are listed on the main board of the Stock Exchange (stock code: 1013)

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Ordinary Share(s)”	ordinary share(s) which will have a par value of HK\$0.8 each in the share capital of the Company upon the Share Consolidation becoming effective
“Consolidated Preference Share(s)”	non-voting convertible preference share(s) which will have a par value of HK\$0.8 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”	HK\$0.048 per Conversion Share (subject to adjustments), or HK\$0.384 per Conversion Share (subject to adjustments) upon the Share Consolidation becoming effective
“Conversion Rights”	the rights attached to the Existing Convertible Bonds to convert the Existing Convertible Bonds to Conversion Shares at the Conversion Price
“Conversion Share(s)”	Existing Ordinary Share(s) or the Consolidated Ordinary Share(s) (after the Share Consolidation has become effective) to be issued by the Company upon the exercise of the Conversion Rights attaching to the Existing Convertible Bonds by the Existing Bondholders
“Director(s)”	the director(s) of the Company
“Existing Bondholder A”	Mr. Lam Ching Kui, being the holder of the Existing First Convertible Bonds and the Existing Second Convertible Bonds
“Existing Bondholder B”	Ka Chun, being the holder of the Existing Third Convertible Bonds
“Existing Bondholders”	Existing Bondholder A and Existing Bondholder B collectively
“Existing Convertible Bonds”	Existing First Convertible Bonds, Existing Second Convertible Bonds and Existing Third Convertible Bonds collectively
“Existing First Convertible Bonds”	the 2% coupon convertible bonds with principal amount of HK\$152,000,000 issued by the Company on 31 August 2020
“Existing Ordinary Share(s)”	ordinary share(s) currently having a par value of HK\$0.1 each in the share capital of the Company before the implementation of the Share Consolidation

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## DEFINITIONS

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“Existing Preference Share(s)”	non-voting convertible preference share(s) currently having a par value of HK\$0.1 each in the share capital of the Company before the implementation of the Share Consolidation
“Existing Second Convertible Bonds”	the 2% coupon convertible bonds with principal amount of HK\$23,480,000 issued by the Company on 30 November 2020
“Existing Third Convertible Bonds”	the 2% coupon convertible bonds with principal amount of HK\$42,700,000 issued by the Company on 18 January 2022
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	the Company’s branch 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 out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors which has been established by the Board to advise the Independent Shareholders as to the fairness and reasonableness of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Shareholder(s)”	Shareholder(s) other than the Existing Bondholders and their respective associates
“Interest Rates”	the interest rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds

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## DEFINITIONS

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“Ka Chun”	Ka Chun Holdings 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
“Last Trading Day”	10 October 2023, being the date of the announcement of the Company in relation to, among other things, the proposed Share Consolidation and Change in Board Lot Size
“Latest Practicable Date”	13 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in it
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2023 or such other date as may be agreed by the Company and the Existing Bondholder A
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 11:00 a.m. on Monday, 13 November 2023 (or any adjournment thereof) to consider and, if thought fit, approve the Share Consolidation, the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Share(s)”	the Existing Ordinary Share(s) of HK\$0.1 each or the Consolidated Ordinary Share(s) of HK\$0.8 each in the share capital of the Company as the case may be
“Share Consolidation”	the proposed consolidation of (i) every eight (8) issued and unissued Existing Ordinary Shares of HK\$0.1 each in the share capital of the Company into one (1) Consolidated Ordinary Share of HK\$0.8; and (ii) every eight (8) unissued Existing Preference Shares of HK\$0.1 each in the share capital of the Company into one (1) Consolidated Preference Share of HK\$0.8
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the mandate to allot and issue the Conversion Shares upon the exercise of the Conversion Rights to be sought at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Supplementary Letters”

the letters dated 13 October 2023 entered into between the Company and the Existing Bondholder A pursuant to which the parties agreed to extend the long stop date of the Alteration Consent Letters to 30 November 2023 (or such other date as may be agreed by the Company and the Existing Bondholder A)

“Takeovers Code”

The Hong Kong Code on Takeovers and Mergers

“%”

per cent

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## EXPECTED TIMETABLE

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Set out below is the expected timetable in relation to the Share Consolidation and the Change in Board Lot Size:

Latest date and time for lodging transfer documents in order to qualify  
for attending and voting at SGM . . . . . 4:00 p.m. on Monday,  
6 November 2023

Closure of register of members for determining the entitlement to  
attend and vote at the SGM (both days inclusive) . . . . . Tuesday, 7 November 2023 to  
Monday, 13 November 2023

Latest date and time for lodging the proxy form for the SGM . . . . . 11:00 a.m. on Saturday,  
11 November 2023

Record date for attendance and voting at the SGM . . . . . Monday, 13 November 2023

Date and time of the SGM . . . . . 11:00 a.m. on Monday,  
13 November 2023

Publication of the announcement of poll results of the SGM . . . . . Monday, 13 November 2023

**The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation and the Change in Board Lot Size:**

Effective date of the Share Consolidation . . . . . Wednesday, 15 November 2023

First day of free exchange of existing share certificates  
for the Existing Ordinary Shares for new share certificates  
for the Consolidated Ordinary Shares . . . . . Wednesday, 15 November 2023

Dealings in Consolidated Ordinary Shares commence . . . . . 9:00 a.m. on Wednesday,  
15 November 2023

Original counter for trading in Existing Ordinary Shares in board lot  
of 20,000 Existing Ordinary Shares (in the form of existing share  
certificates) temporarily closes . . . . . 9:00 a.m. on Wednesday,  
15 November 2023

Temporary counter for trading in Consolidated Ordinary Shares  
in board lot of 2,500 Consolidated Ordinary Shares  
(in the form of existing share certificates) opens . . . . . 9:00 a.m. on Wednesday,  
15 November 2023

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## EXPECTED TIMETABLE

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Original counter for trading in Consolidated Ordinary Shares  
in new board lot of 10,000 Consolidated Ordinary Shares  
(in the form of new share certificates) re-opens . . . . . 9:00 a.m. Wednesday,  
29 November 2023

Parallel trading in Consolidated Ordinary Shares  
(in the form of existing share certificates and  
new share certificates) commences . . . . . 9:00 a.m. on Wednesday,  
29 November 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 Wednesday,  
29 November 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 Tuesday,  
19 December 2023

Temporary counter for trading in Consolidated Ordinary Shares  
in board lot of 2,500 Consolidated Ordinary Shares  
(in the form of existing share certificates) closes . . . . . 4:10 p.m. on Tuesday,  
19 December 2023

Parallel trading in Consolidated Ordinary Shares (in the form of new  
share certificates and existing share certificates) ends. . . . . 4:10 p.m. on Tuesday,  
19 December 2023

Last day for free exchange of existing share certificates for the  
Existing Ordinary Shares for new share certificates for the  
Consolidated Ordinary Shares . . . . . Thursday, 21 December 2023

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.

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## LETTER FROM THE BOARD

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偉俊集團控股有限公司\*

Wai Chun Group Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1013)**

*Executive Director:*

Mr. Lam Ching Kui

*(Chairman and Chief Executive Officer)*

*Independent Non-executive Directors:*

Dr. Wang Wei

Mr. Wan Bo

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

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

Rooms 4001-02, 40/F

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

20 October 2023

*To the Shareholders*

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION:  
PROPOSED ALTERATION TO THE TERMS OF  
THE EXISTING CONVERTIBLE BONDS;  
(II) PROPOSED SHARE CONSOLIDATION AND  
CHANGE IN BOARD LOT SIZE;  
AND  
(III) NOTICE OF SPECIAL GENERAL MEETING**

References are made to (i) the announcements of the Company dated 21 May 2020, 30 June 2020, 29 July 2020 and 30 September 2020 and the circular of the Company dated 29 July 2020 and in relation to the subscription of the Existing First Convertible Bonds in the aggregate principal amount of HK\$152,000,000 and the Existing Second Convertible Bonds in the aggregate principal amount of HK\$23,480,000; (ii) the announcement of the Company dated 15 October 2021 and the circular of the Company dated 9 December 2021 in relation to, among other things, the alteration to the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds; (iii) the announcements of the Company dated 29 August 2023, 19 September 2023, 3 October 2023 and 13 October 2023 in relation to the Alteration of Terms and the transactions contemplated thereunder; (iv) the announcement of the Company dated 10 October 2023 in relation to the proposed Share Consolidation, proposed Change in Board Lot Size and the adjustments to the Conversion Price of the Existing Convertible Bonds upon the Share Consolidation becoming effective; and (v) the announcement of the Company dated 13 October 2023 in relation to the extension of the long stop date of the Alteration Consent Letters.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information regarding, among other matters, (i) details of the Alteration of Terms, the Share Consolidation and the Change in Board Lot Size; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Alteration of Terms; (iii) the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in relation to the Alteration of Terms; and (iv) a notice of the SGM and other information as required under the Listing Rules.

### **PROPOSED ALTERATION TO THE TERMS OF THE EXISTING FIRST CONVERTIBLE BONDS AND THE EXISTING SECOND CONVERTIBLE BONDS**

On 29 August 2023 (after trading hours), the Company and the Existing Bondholders A have agreed to amend the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds as follows:

- (i) the Interest Rates be amended from 2% per annum to 1% per annum; and
- (ii) the maturity date of the Existing First Convertible Bonds be extended from 31 August 2023 to 31 August 2025 and the maturity date of the Existing Second Convertible Bonds be extended from 30 November 2023 to 31 August 2025.

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

The salient terms of the Existing First Convertible Bonds after the Alteration of Terms are summarised as follows:

Issuer:	The Company
Existing Bondholder A:	Mr. Lam Ching Kui
Issue price:	100% of the principal amount
Principal amount:	HK\$152,000,000
Conversion price:	HK\$0.048 per Conversion Share (subject to adjustments), or HK\$0.384 per Conversion Share (subject to adjustments) upon the Share Consolidation becoming effective
Interest rate:	1% per annum
Redemption at maturity:	98% of the principal amount of the Existing First Convertible Bonds

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## LETTER FROM THE BOARD

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Conversion period:	The period commencing from the issue date of the Existing First Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Existing First Convertible Bonds
Conversion rights and restrictions:	The holder of the Existing First 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 Existing First 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 Existing First Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Existing First Convertible Bonds may be converted; (ii) the exercise of the conversion right attaching to the Existing First 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 Existing First Convertible Bonds does not trigger a mandatory general offer obligation on the holder of the Existing First Convertible Bonds under Rule 26 of the Takeovers Code; and does not result in the Existing Bondholder A and any parties acting in concert with him (including the Existing Bondholder B) ceasing to be the controlling shareholder of the Company within the meaning of the Listing Rules
Maturity date:	31 August 2025

The salient terms of the Existing Second Convertible Bonds after the Alteration of Terms are summarised as follows:

Issuer:	The Company
Existing Bondholder A:	Mr. Lam Ching Kui
Issue price:	100% of the principal amount
Principal amount:	HK\$23,480,000
Conversion price:	HK\$0.048 per Conversion Share (subject to adjustments), or HK\$0.384 per Conversion Share (subject to adjustments) upon the Share Consolidation becoming effective
Interest rate:	1% per annum

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## LETTER FROM THE BOARD

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Redemption at maturity:	98% of the principal amount of the Existing Second Convertible Bonds
Conversion period:	The period commencing from the issue date of the Existing Second Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Existing Second Convertible Bonds
Conversion rights and restrictions:	The holder of the Existing Second 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 Existing Second 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 Existing Second Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Existing Second Convertible Bonds may be converted; (ii) the exercise of the conversion right attaching to the Existing Second Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules
Maturity date:	31 August 2025

To the best information, knowledge and belief of the Directors, the Existing Bondholder A and its associates, including the Existing Bondholder B, are connected persons of the Company.

The Alteration of Terms is conditional upon the fulfilment of the following conditions:

- (a) the Stock Exchange granting its approval for the Alteration of Terms; and
- (b) the passing by the Independent Shareholders of relevant resolutions at the SGM approving the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate); and
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of the Conversion Rights.

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 Consent Letters (as amended by Supplementary Letters) will not proceed with the Alteration of Terms.

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

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## LETTER FROM THE BOARD

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### The Supplementary Letters

On 13 October 2023, the Company and the Existing Bondholder A entered into the Supplementary Letters pursuant to which the parties agreed to extend the long stop date of the Alteration Consent Letters to 30 November 2023 (or such other date as may be agreed by the Company and the Existing Bondholder A). 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.

### Adjustments to the Conversion Price of the Existing Convertible Bonds

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 First Convertible Bonds and the Existing Second Convertible Bonds as follows:

Date of Issue	Immediately before the 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
31 August 2020	3,166,666,666	0.048	395,833,333	0.384
30 November 2020	489,166,666	0.048	61,145,833	0.384
18 January 2022	889,583,333	0.048	111,197,916	0.384

If the outstanding Existing First Convertible Bonds and Existing Second Convertible Bonds are fully converted at the Conversion Price of HK\$0.048 per Conversion Share (subject to adjustments) before the Share Consolidation becomes effective or HK\$0.384 per Conversion Share (subject to adjustments) upon the Share Consolidation becoming effective, a maximum of 3,655,833,332 Conversion Shares or 456,979,166 Conversion Shares upon the Share Consolidation becoming effective, will be allotted and issued upon exercise of the Conversion Rights in full, which represents:

- (i) approximately 170.9% of the issued share capital of the Company as at the Latest Practicable Date (as adjusted for the effect of the Share Consolidation); and
- (ii) approximately 63.1% of the issued share capital of the Company as to be enlarged by the issue of the 3,655,833,332 Conversion Shares or 456,979,166 Conversion Shares upon the Share Consolidation becoming effective (assuming there being no other issue or repurchase of Shares and as adjusted for the effect of the Share Consolidation).

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## LETTER FROM THE BOARD

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If all the outstanding Existing Convertible Bonds are fully converted at the Conversion Price of HK\$0.048 per Conversion Share (subject to adjustments) before the Share Consolidation becoming effective or HK\$0.384 per Conversion Share (subject to adjustments) upon the Share Consolidation becoming effective, a maximum of 4,545,416,665 Conversion Shares or 568,177,082 Conversion Shares upon the Share Consolidation becoming effective will be allotted and issued upon exercise of the Conversion Rights attached to all the outstanding Existing Convertible Bonds in full, which represents:

- (i) approximately 212.5% of the issued share capital of the Company as at the Latest Practicable Date (as adjusted for the effect of the Share Consolidation); and
- (ii) approximately 68.0% of the issued share capital of the Company as to be enlarged by the issue of the 4,545,416,665 Conversion Shares or 568,177,082 Conversion Shares upon Share Consolidation becoming effective (assuming there being no other issue or repurchase of Shares and as adjusted for the effect of the Share Consolidation).

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 First Convertible Bonds, any conversion shall also be subject to no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder; and not resulting in the Existing Bondholder A and any parties acting in concert with him (including the Existing Bondholder B) ceasing to be the controlling shareholder of the Company within the meaning of the Listing Rules.

Pursuant to the 2021 Specific Mandate, the Company is entitled to allot and issue 3,166,666,666 Shares and 489,166,666 Shares which may be issued by the Company upon full exercise of the Conversion Rights attached to the Existing First Convertible Bonds and the Existing Second Convertible Bonds respectively. As at the Latest Practicable Date, none of the 2021 Specific Mandate has been utilised.

The Conversion Shares to be allotted and issued by the Company upon the exercise of the Conversion Rights will be issued under the Specific Mandate to be sought at the SGM.

### **OTHER FUND-RAISING METHODS**

The Board has considered other fund-raising methods including debt financing and equity financing before entering into the Alteration Consent Letters (as amended by the 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 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 the terms of the external debt financing might require a higher interest rate, pledge of assets or financial guarantee.

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## LETTER FROM THE BOARD

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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 bring 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 the 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 lengthier process and a higher cost to professional parties for such fund-raising exercise, and would cause immediate dilution to the Shareholders who do not participate in the right issue or open offer as compared to the Alteration of Terms which does not bring any immediate dilution effect on the shareholding of the Company.

Having considered the above factors, the Board considers that the Alteration of Terms is a more feasible and realistic option for the Group to improve its short-term liquidity position and avoid immediate dilution effect on the shareholding of the Independent Shareholders although the Group may still have a relatively high gearing ratio in the short run. The Board considers that the Alteration of Terms is 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 with the extension of the maturity dates of the Existing Convertible Bonds. The reduction in the Interest Rates from 2% to 1% per annum will ease the interest burden of the Company.

### **REASONS FOR THE ALTERATION OF TERMS**

According to the existing terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the Existing First Convertible Bonds in the aggregate principal amount of HK\$152,000,000 have matured on 31 August 2023 and the Existing Second Convertible Bonds in the aggregate principal amount of HK\$23,480,000 will mature on 30 November 2023. With the extension of the maturity dates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the financial pressure on the Company for redemption of the Existing First Convertible Bonds and the Existing Second Convertible Bonds at the maturity dates would be lessened as it can provide more time for the Group to seek for and arrange the resources for repayment since there was not sufficient cash and bank balances to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds. The net current liabilities of the Group also will be improved as the Existing First Convertible Bonds and the Existing Second Convertible Bonds will be reclassified from current liabilities to non-current liabilities after the Alteration of Terms becomes effective. Furthermore, the reduction of the Interest Rates would alleviate the interest burden of the Company by providing interest savings of approximately HK\$1,754,800 per year (without taking into the account any tax adjustment).

After considering the above factors, the Board (excluding the Existing Bondholder A who had abstained from voting) considers that the Alteration of Terms is fair and reasonable and the Alteration of Terms is 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.

# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURE

### 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 conversion of the outstanding Existing First Convertible Bonds and the Existing Second Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares); and (iii) immediately after the full conversion of all the outstanding Existing Convertible Bonds of the Company at the Conversion Price (assuming there being no other issue or repurchase of Shares) is as follows:

Name of Shareholder	As at the Latest Practicable Date		Immediately after full exercise of the Existing First Convertible Bonds and the Existing Second Convertible Bonds (Note 3)		Immediately after full exercise of all the outstanding Existing Convertible Bonds (Note 3)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
	Existing Bondholder B (Note 1)	1,554,338,600	72.66	1,554,338,600	26.82	2,443,921,933
Existing Bondholder A (Note 2)	38,481,000	1.80	3,694,314,332	63.75	3,694,314,332	55.27
	1,592,819,600	74.46	5,248,652,932	90.57	6,138,236,265	91.83
Public Shareholders (Note 4)	546,296,648	25.54	546,296,648	9.43	546,296,648	8.17
<b>Total</b>	<b>2,139,116,248</b>	<b>100.00</b>	<b>5,794,949,580</b>	<b>100.00</b>	<b>6,684,532,913</b>	<b>100.00</b>

*Notes:*

- (1) The Existing Bondholder B, Ka Chun, is a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by the Existing Bondholder A, Mr. Lam Ching Kui, and holds 1,554,338,600 Shares.
- (2) The Existing Bondholder A is the ultimate controlling shareholder of the Company and directly holds 38,481,000 Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholders shall not exercise the Conversion Rights 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.

## LETTER FROM THE BOARD

### 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 First Convertible Bonds and the Existing Second Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iv) immediately after Share Consolidation becoming effective and full exercise of all the outstanding Existing 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 Share Consolidation becoming effective		Immediately after Share Consolidation becoming effective and full exercise of the Existing First Convertible Bonds and the Existing Second Convertible Bonds (Note 3)		Immediately after Share Consolidation becoming effective and full exercise of all the outstanding Existing Convertible Bonds (Note 3)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Existing Bondholder B (Note 1)	1,554,338,600	72.66	194,292,325	72.66	194,292,325	26.82	305,490,241	36.56
Existing Bondholder A (Note 2)	38,481,000	1.80	4,810,125	1.80	461,789,291	63.75	461,789,291	55.27
	1,592,819,600	74.46	199,102,450	74.46	656,081,616	90.57	767,279,532	91.83
Public Shareholders (Note 4)	546,296,648	25.54	68,287,081	25.54	68,287,081	9.43	68,287,081	8.17
<b>Total</b>	<b>2,139,116,248</b>	<b>100.00</b>	<b>267,389,531</b>	<b>100.00</b>	<b>724,368,697</b>	<b>100.00</b>	<b>835,566,613</b>	<b>100.00</b>

*Notes:*

- (1) The Existing Bondholder B, Ka Chun, is a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by the Existing Bondholder A, Mr. Lam Ching Kui, and holds 1,554,338,600 Shares.
- (2) The Existing Bondholder A is the ultimate controlling shareholder of the Company and directly holds 38,481,000 Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholders shall not exercise the Conversion Rights 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.

### 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 did not conduct any equity fund-raising activities.

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## LETTER FROM THE BOARD

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### INFORMATION ABOUT THE GROUP

The Group is principally engaged in (i) sales and services provision of integration services of computer and communication systems, and design, consultation and production of information system software and management training services and (ii) general trading of chemicals and agricultural products.

### 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 Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate). INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ka Chun, the Existing Bondholder B, is a controlling Shareholder interested in an aggregate of 1,554,338,600 Shares, representing in aggregate approximately 72.66% of the total number of issued Shares. Ka Chun is indirectly wholly-owned by Mr. Lam Ching Kui, the Existing Bondholder A, who is interested in 38,481,000 Shares personally, representing in aggregate approximately 1.80% of the total number of issued Shares. Therefore, the Existing Bondholder A and its associates including the Existing Bondholder B are connected persons of the Company, and the Alteration of Terms constitutes connected transactions of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for the Existing Bondholder A, who is the executive Director and also the sole shareholder of the Existing Bondholder B and had abstained from voting, none of the Directors had a material interest in the Alteration of Terms and was required to abstain from voting on the resolutions passed by the Board to approve the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) respectively.

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 Specific Mandate for the allotment and issue of the Conversion Shares is subject to approval by the Independent Shareholders at the SGM.

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

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## LETTER FROM THE BOARD

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### PROPOSED SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

The Board proposes to implement the Share Consolidation on the basis that (i) every eight (8) issued and unissued Existing Ordinary Shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK\$0.8; and (ii) every eight (8) unissued Existing Preference Shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) Consolidated Preference Share of HK\$0.8. The Board also proposes to change the board lot size for trading from 20,000 Existing Ordinary Shares to 10,000 Consolidated Ordinary Shares upon the Share Consolidation becoming effective.

### Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,000,000,000, comprising:

- (i) HK\$890,000,000 divided into 8,900,000,000 Existing Ordinary Shares of HK\$0.1 each, of which 2,139,116,248 Existing Ordinary Shares have been issued and are fully paid or credited as fully paid; and
- (ii) HK\$110,000,000 divided into 1,100,000,000 Existing Preference Shares of HK\$0.1 each, of which no Existing Preference Shares have been issued.

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\$1,000,000,000, comprising:

- (i) HK\$890,000,000 divided into 1,112,500,000 Consolidated Ordinary Shares of HK\$0.8 each (of which approximately 267,389,531 Consolidated Ordinary Shares will be in issue); and
- (ii) HK\$110,000,000 divided into 137,500,000 Consolidated Preference Shares of HK\$0.8 each (of which no Consolidated Preference Shares will be in issue).

### Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (a) the passing by the Shareholders of an ordinary resolution to approve the Share Consolidation at the SGM;
- (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 Bermuda and the Listing Rules to effect the Share Consolidation.

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

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## LETTER FROM THE BOARD

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Subject to the fulfilment of the conditions of the Share Consolidation, the Share Consolidation will become effective on the second Business Day after the SGM.

### **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 Preference Shares will rank pari passu in all respects with each other in that class) in accordance with the Bye-laws. The Share Consolidation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class. Other than the expenses to be incurred in relation to the Share Consolidation (including without limitation 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 Ordinary 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 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, upon the Share Consolidation being effective, the Consolidated Ordinary Shares will be accepted 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.

### **Proposed Change in Board Lot Size**

As at the Latest Practicable Date, the Existing Ordinary Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Ordinary Shares. It is proposed that, following the Share Consolidation becoming effective, the Consolidated Ordinary Shares will be traded in board lot size of 10,000 Consolidated Ordinary Shares.

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## LETTER FROM THE BOARD

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Based on the closing price of HK\$0.027 per Existing Ordinary Share (equivalent to the theoretical closing price of HK\$0.216 per Consolidated Ordinary Share) as quoted on the Stock Exchange on the Latest Practicable Date, (i) the value of existing board lot of 20,000 Existing Ordinary Shares is HK\$540; (ii) the value of each board lot of 20,000 Consolidated Ordinary Shares would be HK\$4,320 assuming the Share Consolidation becomes effective; and (iii) the estimated value per board lot of 10,000 Consolidated Ordinary Shares would be HK\$2,160 assuming the Change in Board Lot Size also becomes effective.

### **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, which is expected to be on Wednesday, 15 November 2023, the Shareholders may, during a period between Wednesday, 15 November 2023 and Thursday, 21 December 2023 (both days inclusive), submit existing share certificates for the Existing Ordinary Shares, which is in light yellow colour, to the Hong Kong Branch Share Registrar, to exchange, at the expense of the Company, for new share certificates for the Consolidated Ordinary Shares, which will be in blue colour. It is expected that new share certificates for the Consolidated Ordinary Shares will be available for collection 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 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.

The existing share certificate will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Tuesday, 19 December 2023, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificate will continue to be good evidence of legal title on the basis of eight (8) Existing Ordinary Shares for one (1) Consolidated Ordinary Share.

### **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 has appointed Union Registrars Limited as an agent to provide matching service, on a best effort basis regarding the sale and purchase of odd lots of the Consolidated Ordinary Shares from 9:00 a.m. on Wednesday, 29 November 2023 to 4:00 p.m. on Tuesday, 19 December 2023 (both days inclusive). 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, may contact Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong or at telephone number (852) 2849 3399 during office hours (i.e. 9:00 a.m. to 4:00 p.m. within such period).

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.

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## LETTER FROM THE BOARD

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### **Fractional Consolidated Ordinary Shares**

Fractional Consolidated Ordinary Shares (if any) arising from the Share Consolidation 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 and the Change in Board Lot Size**

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, 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\$0.067, and the closing price of the Existing Ordinary Shares on the Last Trading Day was HK\$0.035. The value of each existing board lot has been less than HK\$2,000. Based on the closing price of HK\$0.035 per Existing Ordinary Share as at the Last Trading Day 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. Based on the closing price of HK\$0.035 per Existing Ordinary Share (equivalent to HK\$0.28 per Consolidated Ordinary Share) as at the Last Trading Day, the expected market value of each existing board lot of 20,000 Consolidated Ordinary Shares would be HK\$5,600 assuming the Share Consolidation had become effective, which will enable the Company to comply with the trading requirements under the Listing Rules. When considering the Share Consolidation, the Board has taken into account the business plan of the Company for the next 12 months, the ratio of the Share Consolidation was determined for the purpose of meeting the requirement under Rule 13.64A of the Listing Rules. The Board considers that the proposed Share Consolidation and Change in Board Lot Size, resulting in a theoretical price of HK\$0.28 per Consolidated Share and HK\$2,800 per board lot of 10,000 Consolidated Ordinary Shares (based on the closing price of HK\$0.035 per Existing Ordinary Share as at the Last Trading Day), which would maintain the trading amount for each board lot at a reasonable level and will enhance the corporate image of the Company so as to make investing in the Shares more attractive to a broader range of institutional and professional investors and thus help to further broaden the shareholder base of the Company. Accordingly, the Directors are of the view that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole. The Board believes that the Share Consolidation and the Change in Board Lot Size 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.

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## LETTER FROM THE BOARD

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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 Alternation 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(s) in this regard in accordance with the Listing Rules as and when appropriate.

### **SPECIAL GENERAL MEETING**

The SGM will be held by the Company at Rooms 4001-02, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 13 November 2023 at 11:00 a.m., to consider and if thought fit, to approve the Share Consolidation, the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) . A form of proxy for use at the SGM is enclosed with this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Existing Bondholder A and its associates (including the Existing Bondholder B) are required to abstain from voting on the resolutions in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the Existing Bondholder A and its associates (including the Existing Bondholder B), no other Shareholder had a material interest in the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) , and is required to abstain from voting on the resolutions to be proposed at the SGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any of the Existing Bondholder A and its associates (including the Existing Bondholder B); and (ii) no obligation or entitlement of any of the Existing Bondholder A and its associates (including the Existing Bondholder B) as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

The notice of the SGM is set out on pages 49 to 52 of this circular.

### **PROXY ARRANGEMENT**

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

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## LETTER FROM THE BOARD

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

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 November 2023 to Monday, 13 November 2023 (both days inclusive), during which period no share transfers will be effected. The Shareholders whose names appear on the register of members of the Company on Monday, 13 November 2023 are entitled to attend and vote in respect of the resolutions to be proposed at the SGM. In order to qualify for attending and voting at the Meeting (or any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates(s) must be lodged with the Company's branch share registrar in Hong Kong, 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 November 2023.

### RECOMMENDATION

The Independent Board Committee, having considered the advice from IFA, considers that (i) the Alteration of Terms is 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 Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) to be proposed at the SGM.

The recommendation of the Independent Board Committee is set out on page 24 in this circular and the letter from IFA is set out on pages 25 to 43 in this circular.

The Board considers the Alteration of Terms is 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 resolutions in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) to be proposed at the SGM.

The Directors consider that the Share Consolidation and the Change in Board Lot Size are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board also recommends the Shareholders to vote in favour of the ordinary resolution approving the Share Consolidation to be proposed at the SGM.

### ADDITIONAL INFORMATION

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

By Order of the Board  
**Wai Chun Group Holding Limited**  
**Lam Ching Kui**  
*Chairman and Chief Executive Officer*



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate).*



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

20 October 2023

*To: The Independent Board Committee and  
the Independent Shareholders of  
Wai Chun Group Holdings Limited*

Dear Sirs and Madams,

## **CONNECTED TRANSACTION IN RELATION TO PROPOSED ALTERATION TO THE TERMS OF THE 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 Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate), 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 20 October 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 of the Company dated 29 August 2023 and 13 October 2023. On 29 August 2023 (after trading hours), the Company and the Existing Bondholder A have agreed to amend the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds. On 13 October 2023, the Company and the Existing Bondholder A entered into the Supplementary Letters pursuant to which the parties agreed to extend the long stop date to 30 November 2023 (or such other date as may be agreed by the Company and the Existing Bondholder A). 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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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, on 10 October 2023, the Board proposed to implement the Share Consolidation on the basis that (i) every eight (8) issued and unissued Existing Ordinary Shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK\$0.8; and (ii) every eight (8) unissued Existing Preference Shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) Consolidated Preference Share of HK\$0.8. The Board also proposed to change the board lot size for trading from 20,000 Existing Ordinary Shares to 10,000 Consolidated Ordinary Shares upon Share Consolidation becoming effective. Therefore, the Conversion Price of the Existing Convertible Bonds and the number of Conversion Shares to be issued upon exercise of the Conversion Rights will be adjusted from HK\$0.048 per Conversion Share to HK\$0.384 per Conversion Share and from 4,545,416,665 Conversion Shares to 568,177,082 Conversion Shares respectively upon Share Consolidation becoming effective.

As at the Latest Practicable Date, Ka Chun is a controlling Shareholder interested in an aggregate of 1,554,338,600 Shares, representing in aggregate approximately 72.66% of the total number of issued Shares. Ka Chun is indirectly wholly-owned by Mr. Lam Ching Kui, being the Existing Bondholder A, who is interested in 38,481,000 Shares personally, representing in aggregate approximately 1.80% of the total number of issued Shares. Therefore, the Existing Bondholder A and its associates, including Ka Chun, are connected persons of the Company, and the Alteration of Terms constitutes connected transactions of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A 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 Existing Bondholder A and its associates (including the Existing Bondholder B) are required to abstain from voting on the resolutions in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. To the best of the information, belief and knowledge of the Directors, save for Existing Bondholder A and its associates (including the Existing Bondholder B), no other Shareholder has any material interest in the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate). Save for the Existing Bondholder A, who is the executive director and also sole shareholder of Existing Bondholder B and had abstained from voting, none of the Directors had a material interest in the Alteration of Terms and was required to abstain from voting on the resolutions passed by the Board to approve the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Except for being appointed as independent financial adviser by the Company in relation to issuance of the Existing Third Convertible Bonds, which the circular was issued to the Shareholders on 9 December 2021, we have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Terms. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Alteration of Terms, and accordingly, are eligible to give independent advice and recommendations on the terms of Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate). 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 Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate).

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wang Wei and Mr. Wan Bo, has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate).

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion as to whether the terms of the Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate) 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 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.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Our review and analyses were based upon, among others, (i) the information provided by the Group including the Circular, the Alteration Consent Letters (as amended by Supplementary Letters) and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report 2023**”); 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 Alteration Consent Letters (as amended by Supplementary Letters). 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 Alteration of Terms, we have taken into consideration of the following principal factors and reasons:

### (I) Background of the Alteration of Terms

#### *The Alteration of Terms*

On 29 August 2023 (after trading hours), the Company and the Existing Bondholder A have agreed to amend the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds as follows:

- (i) the Interest Rates be amended from 2% per annum to 1% per annum; and
- (ii) the maturity date of the Existing First Convertible Bonds be extended from 31 August 2023 to 31 August 2025 and the maturity date of the Existing Second Convertible Bonds be extended from 30 November 2023 to 31 August 2025.

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

#### *Background of the Group*

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

The Group is principally engaged in (i) sales and services provision of integration services of computer and communication systems, and design, consultation and production of information system software and management training services (the “**Sales and Integration Services Business**”); and (ii) general trading of chemicals and agricultural products (the “**General Trading Business**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial performance of the Group*

Set out below is the financial information of the Group for each of the financial years ended 31 March 2022 and 31 March 2023 (“FY2022” and “FY2023”, respectively) as extracted from the Annual Report 2023:

### *Consolidated financial performance of the Group*

	<b>FY2022</b>	<b>FY2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
<b>Revenue</b>		
– Sales and Integration Services Business	72,193	6,384
– General Trading Business	<u>161,733</u>	<u>170,419</u>
<b>Total revenue</b>	<u>233,926</u>	<u>176,803</u>
<b>Loss for the year</b>	(127,427)	(51,752)

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

As set out in Table 1 above, the revenue of the Group for FY2023 decreased by approximately HK\$57.1 million or 24.4% to approximately HK\$176.8 million, as compared with approximately HK\$233.9 million for FY2022. According to the Annual Report 2023, such decrease in revenue was mainly attributable to the substantial decrease in revenue of the Sales and Integration Services Business due to the lockdown in Shanghai in the first quarter of FY2023 and the customers in such segment was located in Shanghai and needed time and resources to resume the operation gradually after the lockdown. After the unblock in Shanghai, the local government continued to implement the Zero-COVID policy till December 2022 which severely impacted the economic activities in Shanghai. As discussed with the management of the Company and the Company confirmed that following the relaxation of the anti-pandemic measures of COVID-19 in the PRC from the fourth quarter of 2022, the Group has been building up its project pipelines of the Sales and Integration Services Business.

As set out in Table 1 above, the Group recorded a consolidated net loss of approximately HK\$51.8 million for FY2023, representing a decrease of approximately HK\$75.6 million or 59.3% as compared with approximately HK\$127.4 million for FY2022. With reference to the Annual Report 2023, the decrease in net loss was mainly due to the combined effects of (a) the decrease in revenue as mentioned above; (b) absence of loss on modification of convertible bonds terms of approximately HK\$50.3 million; (c) absence of loss on issuance of convertible bonds of approximately HK\$12.6 million; and (d) the decrease in administrative expenses of approximately HK\$12.6 million.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *Consolidated financial position of the Group*

	<b>As at 31 March 2022</b>	<b>As at 31 March 2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
<b>Non-current assets</b>		
Property, plant and equipment	1,027	141
Right-of-use assets	2,625	3,380
	3,652	3,521
<b>Current assets</b>		
Inventories	804	–
Trade and other receivables, prepayments and deposits	119,847	68,365
Pledged bank deposit	300	300
Bank balances and cash	13,890	9,156
	134,841	77,821
<b>Total assets</b>	<b>138,493</b>	<b>81,342</b>
<b>Current liabilities</b>		
Trade and other payables	116,959	74,322
Contract liabilities	14,595	3,699
Lease liabilities	2,447	1,695
Convertible bonds	–	166,558
	134,001	246,274
<b>Non-current liabilities</b>		
Trade and other payables	3,730	4,989
Loans from ultimate holding company	1,313	12,900
Amount due to a director	1,029	10,735
Lease liabilities	217	1,668
Convertible bonds	182,303	35,572
	188,592	65,864
<b>Total liabilities</b>	<b>322,593</b>	<b>312,138</b>
<b>Net current assets/(liabilities)</b>	<b>840</b>	<b>(168,453)</b>
<b>Net liabilities</b>	<b>(184,100)</b>	<b>(230,796)</b>

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) Non-current assets and current assets

As set out in Table 2, the non-current assets of the Group remained stable. The current assets of the Group decreased from approximately HK\$134.8 million as at 31 March 2022 to approximately HK\$77.8 million as at 31 March 2023, representing a decrease of approximately HK\$57.0 million or 42.3%. According to the Annual Report 2023, the decrease in current assets of the Group was mainly due to (a) the decrease of trade and other receivables, prepayments and deposits of approximately HK\$51.4 million; and (b) decrease of bank balances and cash of approximately HK\$4.7 million mainly due to the decrease in revenue of the Group for FY2023.

(ii) Non-current liabilities and current liabilities

As set out in Table 2, the non-current liabilities of Group decreased from approximately HK\$188.6 million as at 31 March 2022 to approximately HK\$65.9 million as at 31 March 2023, representing a decrease of approximately HK\$122.7 million or 65.1%. The current liabilities of the Group increased from approximately HK\$134.0 million as at 31 March 2022 to approximately HK\$246.3 million as at 31 March 2023, representing an increase of approximately HK\$112.3 million or 83.8%. The decrease in non-current liabilities of the Group and increase in current liabilities of the Group was mainly due to part of the Existing First Convertible Bonds and the Existing Second Convertible Bonds being reclassified as current liabilities during FY2023.

(iii) Debt position

The Group had total debts of approximately HK\$187.3 million and approximately HK\$229.1 million (including loans from ultimate holding company, amount due to a director, convertible bonds and lease liabilities) as at 31 March 2022 and 31 March 2023 respectively. All of these debts are interest bearing or carried an interest rate implicit in the lease liabilities. The increase in total debts was mainly due to the increase in loans from ultimate holding company and amount due to a director to support the daily operation and the payment of the expenses of the Group for FY2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that 88.2% of the total debts of the Group as at 31 March 2023 was the convertible bonds of the Company, which consists of the Existing First Convertible Bonds, the Existing Second Convertible Bonds and the Existing Third Convertible Bonds. According to the Annual Report 2023, the Existing First Convertible Bonds were issued on 31 August 2020 with an aggregate principal amount of HK\$152,000,000, which are convertible at HK\$0.048 per Conversion Share to a maximum of 3,166,666,666 Shares. The coupon rate and maturity date of the Existing First Convertible Bonds are 2% per annum and 31 August 2023 respectively before the Alteration of Terms. The Existing Second Convertible Bonds were issued on 30 November 2020 with an aggregate principal amount of HK\$23,480,000, which are convertible at HK\$0.048 per Conversion Share to a maximum of 489,166,666 Shares. The coupon rate and maturity date of the Existing Second Convertible Bonds are 2% per annum and 30 November 2023 respectively before the Alteration of Terms. Both the Existing First Convertible Bonds and the Existing Second Convertible Bonds will be redeemed at 98% of its principal amount at maturity. The Existing Third Convertible Bonds were issued on 18 January 2022 with an aggregate principal amount of HK\$42,700,000, which are convertible at HK\$0.048 per Conversion Share to a maximum of 889,583,333 Shares. The coupon rate and maturity date of the Existing Third Convertible Bonds are 2% per annum and 18 January 2025 respectively. The Existing Third Convertible Bonds will be redeemed at 100% of its principal amount at maturity.

According to the Annual Report 2023, for FY2023, the Group recorded net cash outflow from operating activities and investment activities of approximately HK\$8.8 million and HK\$6.1 million respectively. As informed by the Company, as at 30 September 2023, the Group has bank balances and cash of approximately HK\$32.5 million, which is considered not sufficient to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds upon their maturity dates. After considering (i) the net liabilities position of the Group as at 31 March 2023; (ii) the maturity dates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds; (iii) the net cash outflow from the operating activities and investing activities of the Group for FY2023; and (iv) the latest bank balances and cash of the Group, we consider the Alteration of Terms can prevent the Company from default of repayment of the Existing First Convertible Bonds and the Existing Second Convertible Bonds and provide more time for the Group to seek for and arrange the resources to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds. Therefore, the Alteration of Terms is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **(III) Reasons for and benefits of the Alteration of Terms**

As stated in the Letter from the Board, according to the existing terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the Existing First Convertible Bonds in the aggregate principal amount of HK\$152,000,000 have matured on 31 August 2023 and the Existing Second Convertible Bonds in the aggregate principal amount of HK\$23,480,000 will mature on 30 November 2023. With the extension of the maturity dates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the financial pressure on the Company for redemption of the Existing First Convertible Bonds and the Existing Second Convertible Bonds at the maturity dates would be lessened as it can provide more time for the Group to seek for and arrange the resources for repayment since there was not sufficient cash and bank balances to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds. The net current liabilities of the Group also will be improved as the Existing First Convertible Bonds and the Existing Second Convertible Bonds will be reclassified from current liabilities to non-current liabilities after the Alteration of Terms becomes effective. Furthermore, the reduction of Interest Rates would alleviate the interest burden of the Company by providing interest savings of approximately HK\$1,754,800 per year (without taking into the account any tax adjustment). Therefore, the Board (excluding the Existing Bondholder A who had abstained from voting) considers that the Alteration of Terms is fair and reasonable and the Alteration of Terms is in the interests of the Company and the Shareholders as a whole.

We have reviewed the Alteration Consent Letters (as amended by Supplementary Letters) and the Annual Report 2023. Based on our analysis of the financial position of the Group as discussed under the section headed “(II) Background and financial performance of the Group” above, we consider that the Group would not have sufficient bank balances and cash to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds upon their maturity on 31 August 2023 and 30 November 2023 respectively. By entering into the Alteration Consent Letters (as amended by Supplementary Letters), it will provide more time for the Group to source the necessary funds for the repayment of the Existing First Convertible Bonds and Existing Second Convertible Bonds. Furthermore, by extending the maturity dates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds to 31 August 2025, subject to the market condition and the public float requirement, if the Existing First Convertible Bonds and the Existing Second Convertible Bonds are converted, the gearing of the Group will be improved.

We also note that the Alteration of Terms will reduce the Interest Rates from 2% per annum to 1% per annum. The estimated interest saving from the Alteration of Terms will be approximately HK\$1,754,800 per year. As a result, the Alteration of Terms will improve the Group’s profitability by reducing its interest expenses.

After considering the reasons for and benefits of the Alteration of Terms as discussed above, we consider that entering into the Alteration Consent Letters (as amended by Supplementary Letters) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

As stated in the Letter from the Board, the Company did not conduct any equity fund-raising in the past 12 months immediately before the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(ii) 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 to settle the Existing First Convertible Bonds and the Existing Second Convertible Bonds. The following set out the summary of our discussion:

#### *(a) Debt financing*

The Directors have considered that (1) further debt financing may not be available given that the Group's net liabilities position; and (2) the cost of debt financing may increase together with additional requirements with asset pledging or guarantees to be provided by the Group as compared with the Interest Rates. 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 the Shareholders as a whole.

#### *(b) Placing of new Shares*

The Directors have considered that given that the Group's net liabilities position, the placing agent may face difficulties and take time to seek for potential investor(s) and 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%. The Directors also consider it is 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, as compared with no additional cost from the Alteration of Terms, and the placing of new Shares will cause immediately dilution to the shareholding of existing Shareholders. Therefore, rather than conducting placing of new shares to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the Directors consider entering into the Alteration Consent Letters (as amended by Supplementary Letters) are in the interests of the Company and the Shareholders as a whole.

#### *(c) Rights issue or open offer*

With regard to the viability of a rights issue or an open offer, the Directors have considered that given that the Group's net liabilities position, fund raising from a rights issue or an open offer may not be desirable. Furthermore, a rights issue or open offer will require (1) more documentation is typically required for the rights issue or an open offer; (2) it generally takes longer time to arrange rights issue or open offer than the Alteration of Terms; and (3) it is more costly to arrange a rights issue or open offer than the Alteration of Terms 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.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## *Conclusion*

Given the net liabilities position of the Group as at 31 March 2023, we consider that it is difficult for the Company to obtain external financing to settle the Existing First Convertible Bonds and the Existing Second Convertible Bonds under the current market condition. Furthermore, the Alteration of Terms will provide more time for the Group to seek for financial resources and to conduct suitable fund raising when the Group's financial performance and market condition improves in the future. Therefore, we concur with the Directors' view that the Alteration of Terms is more preferable than the above financing alternatives.

## **(IV) Major terms of the Alteration Consent Letters (as amended by Supplementary Letters)**

On 29 August 2023 (after trading hours), the Company and the Existing Bondholder A have entered into the Alteration Consent Letters and conditionally agreed to amend the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds as follows:

- (i) the Interest Rates be amended from 2% per annum to 1% per annum; and
- (ii) the maturity date of Existing First Convertible Bonds be extended from 31 August 2023 to 31 August 2025 and the maturity date of the Existing Second Convertible Bonds be extended from 30 November 2023 to 31 August 2025.

Apart from the Alteration of Terms above, all other terms and conditions of the Existing First Convertible Bonds and the Existing Second Convertible Bonds shall remain unchanged and in full force and effect. For details of the salient terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds after Alteration of Terms, please refer to the section headed "PROPOSED ALTERATION TO THE TERMS OF THE EXISTING FIRST CONVERTIBLE BONDS AND THE EXISTING SECOND CONVERTIBLE BONDS" in the Letter from the Board. The financial effect of the Alteration of the Terms will be further discussed under the section headed "(VI) Financial effects as a result of the Alteration of Terms" below in this letter.

The Alteration of Terms are conditional upon the fulfilment of 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 SGM approving the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate); and
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of the Conversion Rights.

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 Consent Letters (as amended by Supplementary Letters) will not proceed with the Alteration of Terms.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 13 October 2023, the Company and the Existing Bondholder A entered into the Supplementary Letters pursuant to which the parties agreed to extend the long stop date to 30 November 2023 (or such other date as may be agreed by the Company and the Existing Bondholder A). 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.

Pursuant to the 2021 Specific Mandate, the Company is entitled to allot and issue 3,166,666,666 Shares or 395,833,333 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) and 489,166,666 Shares or 61,145,833 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective) which may be issued by the Company upon full exercise of the conversion rights attached to the Existing First Convertible Bonds and the Existing Second Convertible Bonds respectively. As at the Latest Practicable Date, none of the 2021 Specific Mandate has been utilised.

The Conversion Shares to be allotted and issued by the Company upon the exercise of the Conversion Rights will be issued under the Specific Mandate to be sought at the SGM.

To assess the fairness and reasonable of the key terms of the Alteration Consent Letters (as amended by Supplementary Letters), we have identified a list of issue, placing and subscription of convertible bonds/notes exercises as announced by companies listed on the Stock Exchange during last three-month immediately preceding 29 August 2023, the date of the Alteration Consent Letters (the “**Comparable Period**”). We consider that the Comparable Period is appropriate (i) to reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) to provide a general reference of the recent convertible securities transactions being conducted under similar market conditions; and (iii) to generate a reasonable and meaningful number of samples for the purpose of our analysis. In our assessment, we have searched for companies which (i) are listed on the Stock Exchange; (ii) the transaction involved an issue of convertible securities to raise funds; and (iii) the duration of the convertible bonds/notes is not perpetual. We have excluded perpetual convertible bonds/notes in our analysis as they are considered not comparable to the Alteration of Terms in terms of the credit risk and interest rate risk incurred from the maturity of the convertible bonds/notes. Based on these criteria and the public information available on the Stock Exchange’s website, to the best of our endeavours, we have identified an exhaustive list of a total of 19 convertible securities (the “**Comparable Transactions**”). Set out below is the Comparable Transactions analysis:

Date of announcement	Stock code	Name of company	Subscriber(s) are connected person	Duration (years)	Interest rate per annum
16 August 2023	511	Television Broadcasts Limited	No	5	3.5%
8 August 2023	8103	hmvod Limited	No	1	3.0%
28 July 2023	138	CCT Fortis Holdings Limited	No	1	4.5%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of announcement	Stock code	Name of company	Subscriber(s) are connected person	Duration (years)	Interest rate per annum
27 July 2023	399	Innovative Pharmaceutical Biotech Limited	Yes	10	0.0%
25 July 2023	126	Carrianna Group Holdings Company Limited	No	1	6%
18 July 2023	274	Renaissance Asia Silk Road Group Limited	No	3	2.5%
14 July 2023	8163	Noiz Group Limited	Yes	2	0.0%
11 July 2023	1119	iDreamSky Technology Holdings Limited	No	5	5.0%
3 July 2023	1991	Ta Yang Group Holdings Limited	No	3	10.0%
28 June 2023	2186	Luye Pharma Group Limited	No	5	6.3%
23 June 2023	8003	Great World Company Holdings Limited	No	3	0.0%
23 June 2023	508	Dingyi Group Investment Limited	Yes	3	5.5%
19 June 2023	8368	Creative China Holdings Limited	Yes	2	2.0%
13 June 2023	1918	Sunac China Holdings Limited	Yes	9	1.0%
12 June 2023	343	Culturecom Holdings Limited	No	2	8.0%
11 June 2023	1873	Viva Biotech Holdings	No	0.5	2.0%
9 June 2023	1539	Unity Group Holdings International Limited	No	2	8.0%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Name of company	Subscriber(s) are connected person	Duration (years)	Interest rate per annum
6 June 2023	63	China Asia Valley Group Limited	Yes	5	3.6%
2 June 2023	8445	Noble Engineering Group Holdings Limited	No	2	8.0%
			<b>Maximum:</b>	<b>10</b>	<b>10.0%</b>
			<b>Minimum:</b>	<b>0.5</b>	<b>0.0%</b>
			<b>Average:</b>	<b>3.4</b>	<b>4.2%</b>
29 August 2023	1013	The Company	Yes	Extension of approximately 2 years for Existing First Convertible Bonds and approximately 1.75 years for the Existing Second Convertible Bonds	To be reduced from 2.0% to 1.0%

As shown in the table above, we note that the duration of the Comparable Transactions ranged from half year to 10 years with an average duration of 3.4 years, which the proposed extension of the Existing First Convertible Bonds and the Existing Second Convertible Bonds under the Alteration Consent Letters (as amended by Supplementary Letters) is within the range and less than the average. We also note that the interest rates of the Comparable Transactions ranged from nil to 10.00% per annum, with an average of approximately 4.2% per annum, which the proposed interest rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds under the Alteration Consent Letters (as amended by Supplementary Letters) are within the range and less than the average. Therefore, the Alteration of Terms is conducted on a normal commercial term.

Shareholders should note that the financial position, business, operations, and prospects of listed companies of the Comparable Transactions may not be identical to those of the Group and we have not conducted any in-depth investigation into the respective businesses and operations of the companies of each Comparable Transactions. In particular, as discussed above, the Group does not have sufficient cash and cash equivalents to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds upon their maturity dates, which may result in potential default in repayment. However, we consider that the Comparable Transactions could still provide a general reference as to the common market practice in respect of the terms of convertible bonds/notes issued by companies listed in Hong Kong as compared with the Alteration of Terms.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## (V) Shareholding structure and the possible dilution effect of the Existing Convertible Bonds

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

For illustration purposes only, assuming that the Share Consolidation not becoming effective, the below table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the full conversion of the outstanding Existing First Convertible Bonds and the Existing Second Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares); and (iii) immediately after full exercise of all the outstanding Existing Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares):

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after full exercise of the Existing First Convertible Bonds and the Existing Second Convertible Bonds (Note 3)		(iii) Immediately after full exercise of all the Existing Convertible Bonds (Note 3)	
	Number of Shares		Number of Shares		Number of Shares	
	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %
Existing Bondholder B (Note 1)	1,554,338,600	72.66	1,554,338,600	26.82	2,443,921,933	36.56
Existing Bondholder A (Note 2)	38,481,000	1.80	3,694,314,332	63.75	3,694,314,332	55.27
	<u>1,592,819,600</u>	<u>74.46</u>	<u>5,248,652,932</u>	<u>90.57</u>	<u>6,138,236,265</u>	<u>91.83</u>
Other Public Shareholders (Note 4)	546,296,648	25.54	546,296,648	9.43	546,296,648	8.17
<b>Total</b>	<u>2,139,116,248</u>	<u>100.00</u>	<u>5,794,949,580</u>	<u>100.00</u>	<u>6,684,532,913</u>	<u>100.00</u>

*Notes:*

- (1) The Existing Bondholder B, Ka Chun, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by the Existing Bondholder A, Mr. Lam Ching Kui, and holds 1,554,338,600 Shares.
- (2) The Existing Bondholder A is the ultimate controlling shareholder of the Company and directly holds 38,481,000 Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholders shall not exercise the Conversion Rights 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.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## **B. Assuming Share Consolidation becoming effective**

For illustration purposes only, assuming that the Share Consolidation becoming effective, the below table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective; (iii) immediately after the Share Consolidation becoming effective and the full conversion of the Existing First Convertible Bonds and the Existing Second Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares); and (iv) immediately after the Share Consolidation becoming effective and full exercise of all the outstanding Existing Convertible Bonds at the Conversion Price (assuming there being no other issue or repurchase of Shares):

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after the Share Consolidation becoming effective		(iii) Immediately after the Share Consolidation becoming effective and full exercise of the Existing First Convertible Bonds and the Existing Second Convertible Bonds (Note 3)		(iv) Immediately after the Share Consolidation becoming effective and full exercise of all the Existing Convertible Bonds (Note 3)	
	Number of		Number of		Number of		Number of	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
Existing Bondholder B (Note 1)	1,554,338,600	72.66	194,292,325	72.66	194,292,325	26.82	305,490,241	36.56
Existing Bondholder A (Note 2)	38,481,000	1.80	4,810,125	1.80	461,789,291	63.75	461,789,291	55.27
	<u>1,592,819,600</u>	<u>74.46</u>	<u>199,102,450</u>	<u>74.46</u>	<u>656,081,616</u>	<u>90.57</u>	<u>767,279,532</u>	<u>91.83</u>
Other Public Shareholders (Note 4)	546,296,648	25.54	68,287,081	25.54	68,287,081	9.43	68,287,081	8.17
<b>Total</b>	<u>2,139,116,248</u>	<u>100.00</u>	<u>267,389,531</u>	<u>100.00</u>	<u>724,368,697</u>	<u>100.00</u>	<u>835,566,613</u>	<u>100.00</u>

*Notes:*

- (1) The Existing Bondholder B, Ka Chun, a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by the Existing Bondholder A, Mr. Lam Ching Kui, and holds 1,554,338,600 Shares or 194,292,325 Consolidated Ordinary Shares (subject to the Share Consolidation becoming effective).
- (2) The Existing Bondholder A is the ultimate controlling shareholder of the Company and directly holds 38,481,000 Shares or 4,810,125 Consolidated Ordinary Shares (subject to the 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) Pursuant to the terms and conditions of the Existing Convertible Bonds, the bondholders shall not exercise the Conversion Rights if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, if the Existing First Convertible Bonds and the Existing Second Convertible Bonds are fully converted at the Conversion Price of HK\$0.048 per Conversion Share or HK\$0.384 per Conversion Share upon Share Consolidation becoming effective, a maximum of 3,655,833,332 Conversion Shares or 456,979,166 Conversion Share upon Share Consolidation becoming effective, will be allotted and issued upon exercise of the Conversion Rights in full, which represents:

- (i) approximately 170.9% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 63.1% of the issued share capital of the Company as to be enlarged by the issue of the 3,655,833,332 Conversion Shares or 456,979,166 Conversion Shares upon Share Consolidation becoming effective (assuming there being no other issue or repurchase of Shares).

If all the outstanding Existing Convertible Bonds are fully converted at the Conversion Price of HK\$0.048 per Conversion Share or HK\$0.384 per Conversion Share upon Share Consolidation becoming effective, a maximum of 4,545,416,665 Conversion Shares or 568,177,082 Conversion Shares upon Share Consolidation becoming effective will be allotted and issued upon exercise of the Conversion Rights attached to all the outstanding Existing Convertible Bonds in full, which represents:

- (iii) approximately 212.5% of the issued share capital of the Company as at the Latest Practicable Date; and
- (iv) approximately 68.0% of the issued share capital of the Company as to be enlarged by the issue of the 4,545,416,665 Conversion Shares or 568,177,082 Conversion Shares upon Share Consolidation becoming effective (assuming there being no other issue or repurchase of 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, any conversion shall also be subject to no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder and not resulting in the Existing Bondholder A and any parties acting in concert with him (including the Existing Bondholder B) ceasing to be the controlling shareholder of the Company within the meaning of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the Company and the Company has confirmed that the Existing Bondholder A may not be able to convert the Existing First Convertible Bonds and the Existing Second Convertible Bonds in full in view of the restriction on conversion if the Company encounters insufficient public float. For indicative purposes only, due to the public float requirement under the Listing Rules, the Existing Bondholder A may convert up to approximately 46,070,344 Conversion Shares or 5,758,793 Conversion Shares upon Share Consolidation becoming effective (equivalent to the principal amount of the Existing First Convertible Bonds and the Existing Second Convertible Bonds of approximately HK\$2.2 million) as at the Latest Practicable Date. Therefore, the dilution to the shareholding of the Independent Shareholders is limited assuming the Existing First Convertible Bonds and/or the Existing Second Convertible Bonds are converted as at the Latest Practicable Date. However, it also limits the availability of conversion of the Existing First Convertible Bonds and the Existing Second Convertible Bonds to reduce the repayment amount upon their maturity dates. Furthermore, given that the existing Conversion Price of HK\$0.048 per Conversion Share is higher than the closing price of HK\$0.034 and HK\$0.027 per Existing Ordinary Share as at the date of the Alteration Consent Letters, i.e. 29 August 2023, and the Latest Practicable Date, respectively, which both are out-of-money situation, it is unlikely that the Existing Bondholder A will agree to convert the Existing First Convertible Bonds and/or the Existing Second Convertible Bonds before the maturity dates. Even though the closing price of the Existing Ordinary Shares has reached above the existing Conversion Price of HK\$0.048 per Conversion Share for 11 trading days over the period of 161 trading days from 3 January 2023 to the date of the Alteration Consent Letters (both dates inclusive), there is no trading day that the closing price has reached above the existing Conversion Price in August 2023 and the conversion of the Existing First Convertible Bonds and the Existing Second Convertible Bonds is at the sole discretion of the Existing Bondholder A and is also restricted by the public float as discussed above. Given the original maturity dates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the Alteration of Terms would allow the Group to have more time to seek for and arrange the resources to repay the Existing First Convertible Bonds and the Existing Second Convertible Bonds.

In view of the reasons for and benefits of entering into the Alteration Consent Letters (as amended by Supplementary Letters) as set out above, the restriction of the minimum public float requirement under the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds and the out-of-money situation, we consider the Alteration of Terms is fair and reasonable.

### **(VI) Financial effects as a result of the Alteration of Terms**

The financial effects of the Alteration of Terms set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group.

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

It is expected that the Alteration of Terms will not have an immediate material impact on the net asset value and gearing of the Group. However, after extension of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the entire amount of the convertible bonds in the current liabilities will be reclassified as non-current liabilities. The net current liabilities will be reduced from approximately HK\$168.5 million as at 31 March 2023 to approximately HK\$1.9 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(ii) Earnings*

As the Interest Rates are reduced from 2% per annum to 1% per annum under the Alteration Consent Letters (as amended by Supplementary Letters), the earnings of the Group will be improved by the interest saving of approximately HK\$1,754,800 per year (without taking into the account of any tax adjustment resulted from the interest saving).

After considering the benefits of interest saving and extension of the Existing First Convertible Bonds and the Existing Second Convertible Bonds as illustrated above, we consider the Alteration of Terms is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **RECOMMENDATION**

Having taken into account the principal factors and reasons as discussed above, in particular, (i) the financial position of the Group; (ii) the reasons for and benefits of the Alteration of Terms; and (iii) terms of the Alteration Consent Letters (as amended by Supplementary Letters) and the financial effects of the Alteration of Terms, we are of the view that although the Alteration Consent Letters (as amended by Supplementary Letters) and the transactions contemplated thereunder (including the grant of the Specific Mandate) are not in the ordinary and usual course of business of the Group, the terms are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM for approving the terms of the Alteration Consent Letters (as amended by 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, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/nature of interest	Number of Shares/underlying shares held	Approximate percentage of shareholdings (Note 3)
Lam Ching Kui	Beneficial owner	3,694,314,332(L) (Note 1)	172.70%
	Interest of controlled corporation	2,443,921,933(L) (Note 2)	114.25%

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

*Notes:*

- 3,655,833,332 Shares refer to the Conversion Shares which may fall to be allotted and issued pursuant to the Existing First Convertible Bonds and the Existing Second Convertible Bonds, the remaining 38,481,000 Shares refers to the Shares held by Mr. Lam Ching Kui as beneficial owner.
- 889,583,333 Shares refer to the Conversion Shares which may fall to be allotted and issued pursuant to the Existing Third Convertible Bonds, the remaining 1,554,338,600 Shares refer to the Shares held by Ka Chun, which is a company indirectly wholly-owned by Mr. Lam Ching Kui.
- The approximate percentages of shareholding are calculated based on 2,139,116,248 ordinary shares of the Company issued as at the Latest Practicable Date.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) (i) which were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors and the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company under Section 336 of the SFO. As at the Latest Practicable Date, save for Mr. Lam Ching Kui, who is the executive Director and also the sole director of Ka Chun and Wai Chun Investment Fund, none of the Directors is also a director or employee of any substantial shareholder of the Company.

<b>Name of Shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares/underlying shares held</b>	<b>Approximate percentage of shareholdings</b> <i>(Note 3)</i>
Lam Ching Kui	Beneficial owner	3,694,314,332(L) <i>(Note 2)</i>	172.70%
	Interest of controlled corporation	2,443,921,933(L) <i>(Note 1)</i>	114.25%
Wai Chun Investment Fund	Interest of controlled corporation	2,443,921,933(L) <i>(Note 1)</i>	114.25%
Ka Chun	Beneficial owner	2,443,921,933(L) <i>(Note 1)</i>	114.25%
Chen Guanyu	Beneficial owner	135,364,600(L)	6.33%

*The Letter "L" denotes the long position in the Shares*

*Notes:*

- 889,583,333 Shares refer to the Conversion Shares which may fall to be allotted and issued pursuant to the Existing Third Convertible Bonds, the remaining 1,554,338,600 Shares refer to the Shares held by Ka Chun, which is wholly-owned by Wai Chun Investment Fund and in turn wholly-owned by Mr. Lam Ching Kui.

2. 3,655,833,332 Shares refer to the Conversion Shares which may fall to be allotted and issued pursuant to the Existing Convertible Bonds, the remaining 38,481,000 Shares refers to the Shares held by Mr. Lam Ching Kui as beneficial owner.
3. The approximate percentages of shareholding are calculated based on 2,139,116,248 ordinary shares of the Company issued as at the Latest Practicable Date.

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

### **3. DIRECTORS' SERVICE CONTRACTS**

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

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

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

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2023, 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 (as would be required to be disclosed under the Listing Rules as if each of them was a controlling shareholder).

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

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

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

As at the Latest Practicable Date, the above expert: (i) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) had no interests, direct or indirect, in any assets which had been, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

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

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 March 2023, being the date of which the latest published audited financial statements of the Group were made up.

**7. GENERAL**

- (i) The company secretary of the Company is Ms. HE Xiaoping, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company in Hong Kong is situated at Rooms 4001-02, 40/F., China Resources Building, 26 Harbour Road, Wanchai 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.

**8. DOCUMENTS ON DISPLAY**

The following documents will be available on (i) the website of the Company ([www.1013.hk](http://www.1013.hk)) and (ii) the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) during the period of 14 days from the date of this circular:

- (i) the letter from the Board, the text of which is set out in “Letter from the Board” in this circular;
- (ii) 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;
- (iii) the letter from the IFA to the Independent Board Committee and the Independent Shareholders, the text of which is set out in “Letter from the Independent Financial Adviser” in this circular;
- (iv) the written consent referred to in the paragraph headed “5. Expert’s qualification and consent” in this appendix;
- (v) the subscription agreements in relation to the subscription for the Existing First Convertible Bonds and the Existing Second Convertible Bonds respectively;
- (vi) the alteration consent letters for the previous alteration of terms of the Existing Convertible Bonds;
- (vii) the Alteration Consent Letters;
- (viii) the Supplementary Letters; and
- (ix) this circular.

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## NOTICE OF SGM

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偉俊集團控股有限公司\*

Wai Chun Group Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1013)**

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the “**Meeting**”) of Wai Chun Group Holdings Limited (the “**Company**”) will be held at Rooms 4001-02, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 13 November 2023 at 11:00 a.m. to consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting 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**”); and (ii) the compliance with the relevant procedures and requirements under the applicable laws of Bermuda and the Rules Governing the Listing of Securities on the Stock Exchange to effect the Share Consolidation:
  - (a) with effect from the second business day immediately following the date on which this resolution is passed:
    - (i) every eight (8) issued and unissued existing ordinary shares of HK\$0.1 each in the share capital of the Company (the “**Existing Ordinary Share(s)**”) be consolidated into one (1) consolidated ordinary share of HK\$0.8 in the share capital of the Company (the “**Consolidated Ordinary Share(s)**”) and every eight (8) unissued existing preference shares of HK\$0.1 each in the share capital of the Company be consolidated into one (1) consolidated preference share of HK\$0.8 in the share capital of the Company (the “**Consolidated 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 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 of association and bye-laws 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

*\*For identification purpose only*

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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 terms of the 2% coupon convertible bonds due 2023 issued by the Company on 31 August 2020 in the aggregate principal amount of HK\$152,000,000 (the “**Existing First Convertible Bonds**”) be amended as follows (the “**Alteration of Terms of the Existing First Convertible Bonds**”):
  - (i) the interest rate of the Existing First Convertible Bonds be reduced from 2% per annum to 1% per annum; and
  - (ii) the maturity date of the Existing First Convertible Bonds be extended from 31 August 2023 to 31 August 2025;
- (b) the conversion price of the Existing Convertible Bonds be adjusted from HK\$0.048 per Existing Ordinary Share to HK\$0.384 per Consolidated Ordinary Share (the “**Conversion Shares**”) subject to the passing of the above ordinary resolution no. 1;
- (c) the Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 3,166,666,666 Existing Ordinary Shares (subject to adjustments) or 395,833,333 Consolidated Ordinary Shares (subject to adjustments) subject to the passing of the above ordinary resolution no.1, which may be issued by the Company upon full exercise of the conversion rights attached to the Existing First Convertible Bonds; and
- (d) any one or more of 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/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to implement and give effect to the Alteration of Terms of the Existing First Convertible Bonds.”

### 3. “THAT

- (a) the terms of the 2% coupon convertible bonds due 2023 issued by the Company on 30 November 2020 in the aggregate principal amount of HK\$23,480,000 (the “**Existing Second Convertible Bonds**”) be amended as follows (the “**Alteration of Terms of the Existing Second Convertible Bonds**”):
  - (i) the interest rate of the Existing Second Convertible Bonds be reduced from 2% per annum to 1% per annum; and
  - (ii) the maturity date of the Existing Second Convertible Bonds be extended from 30 November 2023 to 31 August 2025;

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## NOTICE OF SGM

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- (b) the conversion price of the Existing Convertible Bonds be adjusted from HK\$0.048 per Existing Ordinary Share to HK\$0.384 per Consolidated Ordinary Share subject to the passing of the above ordinary resolution no. 1;
- (c) the Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 489,166,666 per Existing Ordinary Shares (subject to adjustments) or 61,145,833 Consolidated Ordinary Shares (subject to adjustments) subject to the passing of the above ordinary resolution no.1, which may be issued by the Company upon full exercise of the conversion rights attached to the Existing Second Convertible Bonds; and
- (d) any one or more of 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/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to implement and give effect to the Alteration of Terms of the Existing Second Convertible Bonds.”

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

Hong Kong, 20 October 2023

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal Place of Business in Hong Kong:*  
Rooms 4001-02, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's branch Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
4. The register of members of the Company will be closed from Tuesday, 7 November 2023 to Monday, 13 November 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 branch share registrar in Hong Kong at the above address by no later than 4:00 p.m. on Monday, 6 November 2023.

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5. If Typhoon Signal No. 8 or above is hoisted, or a “black” rainstorm warning signal or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.1013.hk](http://www.1013.hk) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and venue of the rescheduled Meeting.
  
6. As at the date of this notice, the Board consists of one executive Director, namely Mr. Lam Ching Kui (Chairman and Chief Executive Officer) and two independent non-executive Directors, namely Mr. Wan Bo and Dr. Wang Wei.