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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.

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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) PROPOSED CAPITAL REORGANISATION;  
(II) CONNECTED TRANSACTION:  
PROPOSED ALTERATION TO THE TERMS OF  
THE EXISTING CONVERTIBLE BONDS;  
AND  
(III) NOTICE OF SPECIAL GENERAL MEETING**

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



**INCUB Corporate Finance Limited**

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The notice convening the 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 Wednesday, 8 January 2025 is set out on pages 77 to 81 of this circular.

A form of proxy for the SGM is also enclosed with this circular. Such form of proxy is also published on the website of the Company at [www.1013.hk](http://www.1013.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). 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.

\* For identification purposes only

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## DEFINITIONS

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

“Alteration Consent Letters”	the letters entered into between the Existing Bondholders and the Company dated 6 November 2024 in relation to the Alteration of Terms
“Alteration of Terms”	(i) the proposed reduction of the Interest Rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be reduced from 1% to 0% per annum and the interest rate of the Existing Third Convertible Bonds be reduced from 2% to 0% per annum; (ii) the proposed change of Conversion Price; (iii) the proposed extension of the maturity dates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds from 31 August 2025 to 31 December 2027 and the maturity date of the Existing Third Convertible Bonds from 17 January 2025 to 31 December 2027; and (iv) the proposed change of the redemption amount at maturity of the Existing Third Convertible Bonds from 100% of the principal amount to 98%
“Announcement”	the announcement of the Company dated 6 November 2024 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 for the time being adopted by the Company and as amended from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the nominal value of each of the issued Existing Ordinary Shares will be reduced from HK\$0.8 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.79 on each issued Existing Ordinary Share

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## DEFINITIONS

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“Capital Reorganisation”	collectively, the Capital Reduction and the Share Sub-division
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“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)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.1 per Conversion Share, subject to adjustment under the terms and conditions of the Existing Convertible Bonds
“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)”	Ordinary Share(s) to be issued by the Company upon the exercise of the Conversion Rights
“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 1% coupon convertible bonds with principal amount of HK\$152,000,000 issued by the Company on 31 August 2020

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## DEFINITIONS

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“Existing Ordinary Share(s)”	ordinary share(s) of par value of HK\$0.8 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Existing Preference Share(s)”	preference share(s) of par value of HK\$0.8 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Existing Second Convertible Bonds”	the 1% coupon convertible bonds with principal amount of HK\$23,480,000 issued by the Company on 30 November 2020
“Existing Share(s)”	Existing Ordinary Shares and Existing Preference Shares
“Existing Third Convertible Bonds”	the 2% coupon convertible bonds with principal amount of HK\$42,700,000 issued by the Company on 17 January 2022
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“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
“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

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## DEFINITIONS

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“Interest Rates”	the interest rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds
“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
“Latest Practicable Date”	9 December 2024, 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”	17 January 2025 or such other date as may be agreed by the Company and the Existing Bondholders
“Memorandum”	the memorandum of association of the Company, as amended from time to time
“New Ordinary Share(s)”	the ordinary share(s) of par value HK\$0.01 each in the issued and unissued share capital of the Company upon the Capital Reorganisation becoming effective
“New Preference Share(s)”	the preference share(s) of par value HK\$0.01 each in the unissued share capital of the Company upon the Capital Reorganisation becoming effective
“New Share(s)”	New Ordinary Shares and New Preference Shares
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“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 Wednesday, 8 January 2025 (or any adjournment thereof) to consider and, if thought fit, approve the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate)

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## DEFINITIONS

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“Share(s)”	the Existing Ordinary Share(s) of HK\$0.8 each in the share capital of the Company or the New Ordinary Share(s) of HK\$0.01 each in the share capital of the Company (as the case may be)
“Shareholder(s)”	holder(s) of the Share(s)
“Share Sub-division”	the proposed sub-division of (a) each authorised but unissued Existing Ordinary Shares (including the authorized but unissued Ordinary Shares arising from the Capital Reduction) into eighty (80) authorised and unissued New Ordinary Shares; and (b) each authorised but unissued Existing Preference Shares into eighty (80) authorised and unissued New Preference Shares
“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
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“%”	per cent

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## EXPECTED TIMETABLE

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The expected timetable for the implementation of the Capital Reorganisation is set out below. All times and dates specified in this circular refer to the Hong Kong times and dates. This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

<b>Event(s)</b>	<b>Time and Date</b>
Latest date and time for lodging transfer(s) of the Existing Ordinary Shares in order to qualify for attending and voting at the SGM . . . . .	4:30 p.m. on Thursday, 2 January 2025
Closure of register of members of the Company for determining the entitlement to attend and vote at the SGM (both dates inclusive) . . . . .	Friday, 3 January 2025 to Wednesday, 8 January 2025
Latest date and time for lodging forms of proxy for the SGM . . . . .	11:00 a.m. on Monday, 6 January 2025
Record date for attendance and voting at the SGM . . . . .	Wednesday, 8 January 2025
Expected time and date of the SGM . . . . .	11:00 a.m. on Wednesday, 8 January 2025
Publication of announcement of poll results of the SGM . . . . .	Wednesday, 8 January 2025
<p>The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reorganisation and therefore the dates are tentative only.</p>	
Expected effective date of the Capital Reorganisation. . . . .	Friday, 10 January 2025
Dealing in the New Ordinary Shares commences . . . . .	9:00 a.m. on Friday, 10 January 2025



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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 Ka Chun

*(Chairman and Chief Executive Officer)*

*Independent Non-executive Directors:*

Dr. Wang Wei

Mr. Wan Bo

Ms. Kung Ying Tung

*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

13 December 2024

*To the Shareholders*

Dear Sir or Madam,

**(I) PROPOSED CAPITAL REORGANISATION;  
(II) CONNECTED TRANSACTION;  
PROPOSED ALTERATION TO THE TERMS OF  
THE EXISTING CONVERTIBLE BONDS;  
AND  
(III) NOTICE OF SPECIAL GENERAL MEETING**

References are made to (i) the announcement of the Company dated 6 December 2024 in relation to the proposed Capital Reorganisation; (ii) 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; (iii) 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; (iv) the announcement of the Company dated 21 October 2021 and the circular of the Company dated 9 December 2021 in relation to, among other things, the issue of the Existing Third Convertible Bonds in

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## LETTER FROM THE BOARD

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the aggregate principal amount of HK\$42,700,000; (v) the announcements of the Company dated 29 August 2023, 19 September 2023, 3 October 2023, 10 October 2023 and 13 October 2023 and the circular of the Company dated 20 October 2023 in relation to the Alteration of Terms and the transactions contemplated thereunder; (vi) the announcement of the Company dated 6 November 2024 in relation to the alteration to the terms of the Existing Convertible Bonds.

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

### **PROPOSED CAPITAL REORGANISATION**

The Company proposes to implement the following Capital Reorganisation involving the Capital Reduction and the Share Sub-division as follows:

- (i) the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.79 on each of the then issued Existing Ordinary Shares such that the par value of each issued Existing Ordinary Share will be reduced from HK\$0.8 to HK\$0.01; and
- (ii) immediately following the Capital Reduction, (a) each of the authorised but unissued Existing Ordinary Shares of par value of HK\$0.8 each (including the authorized but unissued Ordinary Shares arising from the Capital Reduction) be sub-divided into eighty (80) New Ordinary Shares of par value of HK\$0.01 each; and (b) each of the authorised but unissued Preference Shares of par value of HK\$0.8 each be sub-divided into eighty (80) New Preference Shares of par value of HK\$0.01 each.

Upon the Capital Reorganisation becoming effective, the New Ordinary Shares will be identical in all respects and rank *pari passu* with each other in relation to all future dividends and distributions which are declared, made or paid in accordance with the Memorandum and the Bye-laws. Similarly, the New Preference Shares will also be identical in all respects and will rank *pari passu* with each other.

### **Conditions of Capital Reorganisation**

The Capital Reorganisation is conditional upon the following conditions:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation and transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the issued New Ordinary Shares upon the Capital Reorganisation becoming effective; and

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## LETTER FROM THE BOARD

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- (iii) the compliance with the relevant procedures and requirements under the Companies Act and applicable laws of Bermuda to effect the Capital Reorganisation, which includes the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due.

Subject to the fulfilment of the conditions of the Capital Reorganisation, the effective date of the Capital Reorganisation is expected to be on Friday, 10 January 2025.

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

### **Application for listing of the New Shares**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Ordinary Shares upon the Capital Reorganisation becoming effective.

Subject to the granting of listing of, and permission to deal in, the New Ordinary Shares on the Stock Exchange upon the Capital Reorganisation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the New 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 New Ordinary Shares on the Stock Exchange or 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 New Ordinary Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Ordinary Shares are listed or dealt in on any other stock exchanges other than the Stock Exchange, and at the time when the Capital Reorganisation becoming effective, the New Ordinary Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought. No Existing Preference Shares have been issued.

### **Effect of the Capital Reorganisation**

As at the Latest Practicable Date, the authorised share capital of the Company is comprised of:

- (i) HK\$890,000,000 divided into 1,112,500,000 Existing Ordinary Shares of par value of HK\$0.8 each, of which 267,389,531 Existing Ordinary Shares have been issued and are fully paid or credited as fully paid and 845,110,469 Existing Ordinary Shares remain unissued; and
- (ii) HK\$110,000,000 divided into 137,500,000 Existing Preference Shares of par value of HK\$0.8 each, of which no Existing Preference Shares have been issued.

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## LETTER FROM THE BOARD

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Assuming that no further Existing Shares are allotted, issued or repurchased from the date of this announcement up to and including the effective date of the Capital Reorganisation, immediately upon the Capital Reorganisation becoming effective, the authorised share capital of the Company shall become:

- (i) HK\$890,000,000 divided into 89,000,000,000 New Ordinary Shares of par value of HK\$0.01 each, of which 267,389,531 New Ordinary Shares will have been issued and will be fully paid or credited as fully paid and 88,732,610,469 New Ordinary Shares will remain unissued; and
- (ii) HK\$110,000,000 divided into 11,000,000,000 New Preference Shares of par value of HK\$0.01 each, of which no New Preference Shares have been issued.

Assuming that there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date on which the Capital Reduction and the Share Sub-division becoming effective, the share capital structure of the Company will be as follows:

	<b>As at the Latest Practicable Date</b>	<b>Immediately Upon the Capital Reorganisation becoming effective</b>
Par value	HK\$0.8 per Existing Share	HK\$0.01 per New Share
Number of authorised Shares	1,250,000,000 Existing Shares	100,000,000,000 New Shares
Amount of authorised share capital of the Company	HK\$1,000,000,000	HK\$1,000,000,000
Number of issued Shares	267,389,531 Existing Ordinary Shares	267,389,531 New Ordinary Shares
Amount of the issued share capital of the Company	HK\$213,911,625	HK\$2,673,895

Save for the Existing Convertible Bonds, the Company does not have any other outstanding derivatives, options, warrants, conversion rights, securities in issue, convertible securities or other similar rights which are convertible or exchangeable into, any Shares or New Ordinary Shares, as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors are of the view that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

### **Exchange of share certificates**

The Capital Reorganisation will not affect any of the rights of the existing Shareholders. All existing share certificates (in blue colour) of the Company will continue to be evidence of title to the Shares and continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates of the Company for new share certificates for the New Shares after the Capital Reorganisation takes effect. Immediately following the Capital Reorganisation becoming effective, new share certificates (in purple colour) will be issued bearing the par value of HK\$0.01 per New Share.

### **Reasons for the Capital Reorganisation**

The proposed Capital Reorganisation will enable the par value of the Shares to be reduced from HK\$0.8 to HK\$0.01. Upon the Capital Reorganisation becoming effective, the credit arising from the Capital Reduction may be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reorganisation, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) may be transferred to the contributed surplus account of the Company to be applied by the Company in any manner permitted by or consistent with all applicable laws and the Bye-laws.

Also, under the Companies Act, the Company is restricted from issuing Shares at a price lower than their par value. The Capital Reduction will reduce the par value of the New Shares to a lower amount of HK\$0.01 each, which will provide the Company with greater flexibility in the pricing for future issuance of New Shares as needed.

In view of the above reasons, the Board considers that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 Capital Reorganisation and the Company does not have any concrete plan or arrangement to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to meet its operational needs or support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

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## LETTER FROM THE BOARD

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### PROPOSED ALTERATION TO THE TERMS OF THE EXISTING CONVERTIBLE BONDS

On 6 November 2024 (after trading hours), the Company and the Existing Bondholders have agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the Interest Rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be reduced from 1% to 0% per annum and the interest rate of the Existing Third Convertible Bonds be reduced from 2% to 0% per annum;
- (ii) the Conversion Price be changed from HK\$0.384 per Conversion Share to HK\$0.1 per Conversion Share;
- (iii) the maturity date of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be extended from 31 August 2025 to 31 December 2027 and the maturity date of the Existing Third Convertible Bonds be extended from 17 January 2025 to 31 December 2027; and
- (iv) the Existing Third Convertible Bonds be redeemed at 98% of principal amount at maturity.

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

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\$0.1 per Conversion Share (subject to adjustments)
Adjustment events:	If the following events occur, the Conversion Price shall be adjusted:

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

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

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## LETTER FROM THE BOARD

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

*(b) Capitalisation of profits or reserves*

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

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

*(c) Capital distribution*

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

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

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## LETTER FROM THE BOARD

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where:

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

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

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

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



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## LETTER FROM THE BOARD

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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

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## LETTER FROM THE BOARD

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

Interest rate:	0% per annum
Redemption at maturity:	98% of the principal amount of the Existing First Convertible Bonds
Conversion Shares:	Based on the amended Conversion Price of HK\$0.1 per Conversion Share, a maximum of 1,520,000,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full.
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
Ranking:	The Existing First Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu among themselves and with all existing and future unsubordinated and unsecured obligations of the Company, and shall entitle the holder(s) thereof to receive repayment in priority over the Shareholders

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## LETTER FROM THE BOARD

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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 (v) 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 December 2027

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## LETTER FROM THE BOARD

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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\$0.1 per Conversion Share (subject to adjustments)
Adjustment events:	If the following events occur, the Conversion Price shall be adjusted:

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

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

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

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## LETTER FROM THE BOARD

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*(b) Capitalisation of profits or reserves*

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

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

*(c) Capital distribution*

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

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

where:

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



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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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

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## LETTER FROM THE BOARD

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

Interest rate:	0% per annum
Redemption at maturity:	98% of the principal amount of the Existing Second Convertible Bonds
Conversion Shares:	Based on the amended Conversion Price of HK\$0.1 per Conversion Share, a maximum of 234,800,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full.
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
Ranking:	The Existing Second Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu among themselves and with all existing and future unsubordinated and unsecured obligations of the Company, and shall entitle the holder(s) thereof to receive repayment in priority over the Shareholders

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## LETTER FROM THE BOARD

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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 December 2027

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

Issuer: The Company

Existing Bondholder B: Ka Chun Holdings Limited

Issue price: 100% of the principal amount

Principal amount: HK\$42,700,000

Conversion price: HK\$0.1 per Conversion Share (subject to adjustments)

Adjustment events: If the following events occur, the Conversion Price shall be adjusted:

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

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

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## LETTER FROM THE BOARD

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

*(b) Capitalisation of profits or reserves*

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

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

*(c) Capital distribution*

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

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



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## LETTER FROM THE BOARD

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where:

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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

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## LETTER FROM THE BOARD

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

Interest rate:	0% per annum
Redemption at maturity:	98% of the principal amount of the Existing Third Convertible Bonds
Conversion Shares:	Based on the amended Conversion Price of HK\$0.1 per Conversion Share, a maximum of 427,000,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full.
Conversion period:	The period commencing from the issue date of the Existing Third Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Existing Third Convertible Bonds
Ranking:	The Existing Third Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu among themselves and with all existing and future unsubordinated and unsecured obligations of the Company, and shall entitle the holder(s) thereof to receive repayment in priority over the Shareholders

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## LETTER FROM THE BOARD

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Conversion rights and restrictions: The holder of the Existing Third 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 Third Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$5,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Existing Third Convertible Bonds is less than HK\$5,000,000, the whole (but not part only) of the outstanding principal amount of the Existing Third Convertible Bonds may be converted; (ii) the exercise of the conversion right attaching to the Existing Third Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules

Maturity date: 31 December 2027

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;
- (b) the passing by the Shareholders or the Independent Shareholders (as the case may be) of relevant resolutions at the SGM approving the Share Reorganisation, the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate);
- (c) the Capital Reorganisation having become effective; and
- (d) 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 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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### Conversion Price of the Existing Convertible Bonds

The Conversion Price was determined after arm's length negotiations between the Company and the Bondholders with reference to the prevailing market price of the Shares represents:

- (i) a discount of approximately 27.54% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on 6 November 2024, being the date of the Alteration Consent Letters;
- (ii) a discount of approximately 26.47% over the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Alteration Consent Letters;
- (iii) a discount of approximately 14.8% over the average daily closing price of HK\$0.117 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately before the date of the Alteration Consent Letters; and
- (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 24.6%, represented by the theoretical diluted price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.104 per Share, to the benchmarked price of HK\$0.138 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK\$0.138 per Share on the date of the Alteration Consent Letters and (ii) the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Alteration Consent Letters).

The Conversion Price was determined with reference to (i) the prevailing market price of the Shares; (ii) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong; (iii) the financial position of the Group, in particular, the loss for the year ended 31 March 2024 attributable to owners of the Company of approximately HK\$36.5 million, (iv) the high gearing the Group as at 30 September 2024 of approximately HK\$223.1 million (v) the reasons and benefits of the Alteration of Terms as discussed in the section headed "Reasons for the Alteration of Terms" below in this circular.

Assuming all the outstanding Existing Convertible Bonds are fully converted at the Conversion Price, a maximum of 2,181,800,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full, which represents:

- (i) approximately 816.96% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 89.08% of the issued share capital of the Company as to be enlarged by the issue of the 2,181,800,000 Conversion Shares (assuming there being no other issue or repurchase of Shares).



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## LETTER FROM THE BOARD

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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.

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. 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.

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 an 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 placees 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 will ease the interest burden of the Company.

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## LETTER FROM THE BOARD

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### REASONS FOR THE ALTERATION OF TERMS

According to the existing terms of the Existing Convertible Bonds, 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 will mature on 31 August 2025 and the Existing Third Convertible Bonds in the aggregate principal amount of HK\$42,700,000 will mature on 17 January 2025. With the extension of the maturity dates of the Existing Convertible Bonds, the financial pressure on the Company for redemption of the Existing 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 Convertible Bonds.

The Group recorded net liabilities of approximately HK\$257.3 million and HK\$240.3 million as at 30 September 2024 and 31 March 2024 respectively and loss attributable to owners of the Company of approximately HK\$16.8 million and HK\$36.5 million for the six months ended 30 September 2024 and the year ended 31 March 2024 respectively. The net current liabilities of the Group also will be improved as the Existing 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\$2.61 million per year (without taking into the account any tax adjustment) and the total interest saving of approximately HK\$7.93 million (without taking into the account any tax adjustment) if the Existing Convertible Bonds are extended to 31 December 2027.

Since the existing conversion price of the Existing Convertible Bonds is much higher than the prevailing market price of the Shares, the amended Conversion Price will serve as an incentive for the Existing Bondholders to exercise the Conversion Rights to convert the Existing Convertible Bonds into the Shares, thereby alleviating the financial pressure on the Company to repay the Existing Convertible Bonds on maturity and could facilitate the Company in obtaining alternative source of finance to improve the financial position of Company. Subject to the public float requirement, in the event that the Existing Convertible Bonds are converted, the gearing of the Group could be improved without any cash outflow for the repayment of the Existing Convertible Bonds and the Group's ability to continue as a going concern could also be improved.

After considering the above factors, the Board (excluding Mr. Lam Ka Chun (the son of 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.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

## LETTER FROM THE BOARD

Name of Shareholders	(i) as at the Latest Practicable Date		(ii) immediately after full conversion of the Existing Convertible Bonds	
	<i>Number</i>	<i>Approximate</i>	<i>Number</i>	<i>Approximate</i>
	<i>of Shares</i>	<i>%</i>	<i>of Shares</i>	<i>%</i>
Existing Bondholder B ( <i>Note 1</i> )	194,292,325	72.66	621,292,325	25.37
Existing Bondholder A ( <i>Note 2</i> )	4,810,125	1.80	1,759,610,125	71.84
	199,102,450	74.46	2,380,902,450	97.21
Other public Shareholders ( <i>Note 4</i> )	<u>68,287,081</u>	<u>25.54</u>	<u>68,287,081</u>	<u>2.79</u>
Total	<u><u>267,389,531</u></u>	<u><u>100.00</u></u>	<u><u>2,449,189,531</u></u>	<u><u>100.00</u></u>

*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 194,292,325 Shares.
- (2) The Existing Bondholder A is the ultimate controlling shareholder of the Company and directly holds 4,810,125 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.

### 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.

### INFORMATION ABOUT THE EXISTING BONDHOLDERS

The Existing Bondholder B is a company incorporated in the British Virgin Islands with limited liability, and indirectly wholly-owned by the Existing Bondholder A, being the controlling shareholder of the Company. The Existing Bondholder B is principally engaged in investment holding.

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## LETTER FROM THE BOARD

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### 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, the Existing Bondholder B is a controlling Shareholder interested in an aggregate of 194,292,325 Shares, representing in aggregate approximately 72.66% of the total number of issued Shares. The Existing Bondholder B is indirectly wholly-owned by the Existing Bondholder A, who is interested in 4,810,125 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 are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules

Save that Mr. Lam Ka Chun is deemed to be interested in the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate), who 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).

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.

### 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 Wednesday, 8 January 2025 at 11:00 a.m., to consider and if thought fit, to approve the Capital Reorganisation as well as 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. Such form of proxy is also published on the website of the Company at [www.1013.hk](http://www.1013.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Capital Reorganisation and no Shareholders are required to abstain from voting at the SGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Existing Bondholder A, who held 4,810,125 Shares representing approximately 1.80% of the issued share capital of the Company as at the Latest Practicable Date and its associates (including the Existing Bondholder B, who held 194,292,325 Shares representing approximately 72.66% of the issued share capital of the Company as at the Latest Practicable Date) 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 77 to 81 of this circular.

### **PROXY ARRANGEMENT**

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of the Company at [www.1013.hk](http://www.1013.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). For those who intend to direct a proxy to attend the SGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the SGM or any resumed session.

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

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 January 2025 to Wednesday, 8 January 2025 (both days inclusive), during which period no share transfers will be effected. The Shareholders whose names appeared on the register of members of the Company on Wednesday, 8 January 2025 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 4:30 p.m. on Thursday, 2 January 2025.

### RECOMMENDATION

The Board considers that the proposed resolutions in relation to the Capital Reorganisation to be put forward at the SGM is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the resolutions to be proposed at the SGM.

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 45 to 46 this circular and the letter from IFA is set out on pages 47 to 72 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.

### 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 Ka Chun**

*Chairman, Chief Executive Officer and Executive Director*



偉俊集團控股有限公司\*

Wai Chun Group Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1013)

13 December 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
PROPOSED ALTERATION TO THE TERMS OF  
THE EXISTING CONVERTIBLE BONDS**

We refer to the circular of the Company dated 13 December 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Independent Board Committee has been formed to consider and advise you in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate), details of which are set out in the “Letter from the Board” contained in the Circular. INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from IFA containing its recommendations and the principal factors and reasons in which INCU has taken into consideration in arriving at its recommendations is set out on pages 47 to 72 of the Circular.

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

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate).

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

**Dr. Wang Wei**  
*Independent non-executive  
Director*

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

**Ms. Kung Ying Tung**  
*Independent non-executive  
Director*



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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 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

13 December 2024

*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 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 13 December 2024 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 6 November 2024. On 6 November 2024 (after trading hours), the Company and the Existing Bondholders have entered into the Alteration Consent Letters and conditionally agreed to amend the terms of the Existing Convertible Bonds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, the Existing Bondholder B, a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding, is a controlling Shareholder interested in an aggregate of 194,292,325 Shares, representing in aggregate approximately 72.66% of the total number of issued Shares. The Existing Bondholder B is indirectly wholly-owned by the Existing Bondholder A, who is interested in 4,810,125 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 are 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 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.

Save that Mr. Lam Ka Chun (the son of the Existing Bondholder A) is deemed to be interested in the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate), who 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).

In addition to the Alteration of Terms, the Company also proposed to implement the Capital Reorganisation involving the Capital Reduction and the Share Sub-division as follows:

- (i) the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.79 on each of the then issued Existing Ordinary Shares such that the par value of each issued Existing Ordinary Share will be reduced from HK\$0.8 to HK\$0.01; and
- (ii) immediately following the Capital Reduction, each of the authorised but unissued Shares of par value of HK\$0.8 each (including the authorized but unissued Shares arising from the Capital Reduction) be sub-divided into eighty (80) New Shares of par value of HK\$0.01 each.

Upon the Capital Reorganisation becoming effective, the New Ordinary Shares will be identical in all respects and rank pari passu with each other in relation to all future dividends and distributions which are declared, made or paid in accordance with the Memorandum and the Bye-laws. Similarly, the New Preference Shares will also be identical in all respects and will rank pari passu with each other.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wang Wei, Mr. Wan Bo and Ms. Kung Ying Tung, has been established to advise the Independent Shareholders in respect of the terms of the Alteration Consent Letters and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders as concerned, and in the interest of the Company and the Shareholders as a whole, taking into account our recommendation.

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Except for being appointed as independent financial adviser by the Company in relation to alteration to the terms of the Existing First Convertible Bonds and the Existing Second Convertible Bonds, which the circular was issued to the Shareholders on 20 October 2023, we have not acted as 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 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 that could reasonably be regarded as relevant to our independence.

### 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 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 2024 (the “**Annual Report 2024**”) and the interim results announcement of the Company for the six months ended 30 September 2024 (“**Interim Results 2024**”); 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. 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 6 November 2024 (after trading hours), the Company and the Existing Bondholders have agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the Interest Rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be reduced from 1% to 0% per annum and the interest rate of the Existing Third Convertible Bonds be reduced from 2% to 0% per annum;
- (ii) the Conversion Price be changed from HK\$0.384 per Conversion Shares to HK\$0.100 per Conversion Shares;
- (iii) the maturity date of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be extended from 31 August 2025 to 31 December 2027 and the maturity date of the Existing Third Convertible Bonds be extended from 17 January 2025 to 31 December 2027; and
- (iv) the Existing Third Convertible Bonds be redeemed at 98% of principal amount at maturity.

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

#### **(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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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**”).

### *Financial performance of the Group*

Set out below is the financial information of the Group for each of the financial years ended 31 March 2023 and 31 March 2024 (“**FY2023**” and “**FY2024**”, respectively) as extracted from the Annual Report 2024 and for each of the six months ended 30 September 2023 and 30 September 2024 (“**HY2023**” and “**HY2024**”, respectively) as extracted from the Interim Results 2024:

### *Consolidated financial performance of the Group*

	<b>FY2023</b> <i>HK\$'000</i> <i>(Audited)</i>	<b>FY2024</b> <i>HK\$'000</i> <i>(Audited)</i>	<b>HY2023</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>HY2024</b> <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Revenue</b>				
– Sales and Integration Services Business	6,384	31,933	32,136	21,210
– General Trading Business	170,419	241,956	120,248	21,915
<b>Total revenue</b>	<b>176,803</b>	<b>273,889</b>	<b>152,384</b>	<b>43,125</b>
<b>Loss for the year/period</b>	<b>(51,762)</b>	<b>(36,474)</b>	<b>(18,686)</b>	<b>(16,471)</b>

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) FY2023 vs FY2024

As set out in Table 1 above, the revenue of the Group for FY2024 increased by approximately HK\$97.09 million or 54.9% to approximately HK\$273.89 million, as compared with approximately HK\$176.80 million for FY2023. According to the Annual Report 2024, such increase in revenue was mainly due to (a) the substantial increase in revenue of the General Trading Business of approximately HK\$71.54 million, which the demand for chemical trading rebounded after the resumption of normal operation and the release of the anti-pandemic measures of COVID-19 in the PRC; and (b) the substantial increase in revenue of the Sales and Integration Services Business of approximately HK\$25.55 million as a result of the release of the anti-pandemic measures of COVID-19 in the PRC causing a strong rebound of the demand from the market.

Due to the increase in revenue, the consolidated net loss of the Group for FY2024 decreased by approximately HK\$15.29 million or 29.5% to approximately HK\$36.47 million as compared with approximately HK\$51.76 million for FY2023.

(ii) HY2023 vs HY2024

As set out in Table 1 above, the revenue of the Group for HY2024 decreased by approximately HK\$109.25 million or 71.7% to approximately HK\$43.13 million, as compared with approximately HK\$152.38 million for HY2023. According to the Interim Results 2024, such decrease in revenue was mainly due to the substantial decrease in revenue of General Trading Business as result of the decrease in demand of chemical product caused by the decrease in purchase orders from PRC customers.

Despite the decrease in revenue, the consolidated net loss of the Group for HY2024 decreased by approximately HK\$2.22 million or 11.9% to approximately HK\$16.47 million as compared with approximately HK\$18.69 million for HY2023. Such decrease was mainly due to the decrease in administrative expenses of approximately HK\$3.27 million, which was mainly resulted from the reduction in staff cost for HY2024, exceeding the decrease in gross profit of approximately HK\$0.29 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Consolidated financial position of the Group*

	<b>As at 31 March 2024 HK\$'000 (Audited)</b>	<b>As at 30 September 2024 HK\$'000 (Unaudited)</b>
<b>Non-current assets</b>		
Property, plant and equipment	4	1
Deposits, prepayments and other receivables	59	59
	63	60
<b>Current assets</b>		
Trade receivables	1,279	7,318
Other receivables, prepayments and deposits	30,599	25,759
Bank balances and cash	127	144
	32,005	33,221
<b>Total assets</b>	<b>32,068</b>	<b>33,280</b>
<b>Current liabilities</b>		
Trade payables	12,627	18,057
Other payables and accruals	32,575	35,476
Lease liabilities	2,050	1,188
Convertible bonds	39,729	199,547
	86,981	254,268
<b>Non-current liabilities</b>		
Other payables	3,915	3,915
Loans from ultimate holding company	13,679	13,450
Amount due to ultimate controlling party	18,863	18,951
Lease liabilities	98	–
Convertible bonds	148,820	–
	185,375	36,316
<b>Total liabilities</b>	<b>272,356</b>	<b>290,584</b>
<b>Net current liabilities</b>	<b>(54,976)</b>	<b>(221,047)</b>
<b>Net liabilities</b>	<b>(240,288)</b>	<b>(257,303)</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 above, the non-current assets and the current assets of the Group remained stable between 31 March 2024 and 30 September 2024. However, we note that the Group had only bank balances and cash of approximately HK\$0.14 million as at 30 September 2024.

(ii) *Non-current liabilities and current liabilities*

As set out in table 2 above, the non-current liabilities of Group decreased from approximately HK\$185.38 million as at 31 March 2024 to approximately HK\$36.32 million as at 30 September 2024, representing a decrease of approximately HK\$149.06 million or 80.4%, while the current liabilities of the Group increased from approximately HK\$86.98 million as at 31 March 2024 to approximately HK\$254.27 million as at 30 September 2024, representing an increase of approximately HK\$167.29 million or 192.3%. The decrease in non-current liabilities of the Group and increase in current liabilities of the Group were mainly due to reclassification of the convertible bonds from non-current liabilities to current liabilities as the Existing Convertible Bonds will mature in 2025 as further discussed below.

(iii) *Debt position*

The Group had total debts of approximately HK\$223.24 million and approximately HK\$233.14 million (including loans from ultimate holding company, amount due to an ultimate controlling party, convertible bonds and lease liabilities) as at 31 March 2024 and 30 September 2024 respectively. All of these debts are interest bearing or carried an interest rate implicit in the lease liabilities.

We note that 85.6% of the total debts of the Group as at 30 September 2024 were the Existing Convertible Bonds. 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\$0.384 per Conversion Share to a maximum of 395,833,333 Shares. The coupon rate and maturity date of the Existing First Convertible Bonds are 1% per annum and 31 August 2025 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\$0.384 per Conversion Share to a maximum of 61,145,833 Shares. The coupon rate and maturity date of the Existing Second Convertible Bonds are 1% per annum and 31 August 2025 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\$0.384 per Conversion Share to a maximum of 111,197,916 Shares. The coupon rate and maturity date of the Existing Third Convertible Bonds are 2% per annum and 17 January 2025 respectively. The Existing Third Convertible Bonds will be redeemed at 100% of its principal amount at maturity.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The auditors of the Company have raised the going concern issue of the Company in the Annual Report 2024 after considering that the Group incurred a loss attributable to the owners of the Company of approximately HK\$36.53 million for FY2024, and as at 31 March 2024, the Group had net current liabilities and net liabilities of approximately HK\$54.98 million and HK\$240.29 million, respectively. As stated in the Annual Report 2024, the Directors have prepared the consolidated financial statements in the Annual Report 2024 on a going concern basis on the assumptions and measures that Mr. Lam Ching Kui, Wai Chun Investment Fund and Wai Chun Holdings Group Limited will not demand the Company for repayment of the loan due to them nor cancel the undrawn loan facilities until all other liabilities of the Group have been satisfied, and will not demand for repayment within twelve months after the date of approval of the Annual Report 2024. Furthermore, the Company will continue to negotiate with potential investors to raise funds and implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

As at 30 September 2024, the Group has bank balances and cash of approximately HK\$144,000, which is insufficient to repay the Existing Convertible Bonds upon their maturity dates. After considering (i) the net liabilities position of the Group as at 31 March 2024 and 30 September 2024; (ii) the going concern issued as raised by the auditors of the Company in the Annual Report 2024; (iii) the maturity dates of the Existing Convertible Bonds; and (iv) the latest bank balances and cash of the Group, we consider that the Alteration of Terms can prevent the Company from default of repayment of the Existing Convertible Bonds and provide more time for the Group to seek for and arrange the resources to repay the Existing Convertible Bonds.

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

As stated in the Letter from the Board, 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 will mature on 31 August 2025 and the Existing Third Convertible Bonds in the aggregate principal amount of HK\$42,700,000 will mature on 17 January 2025. With the extension of the maturity dates of the Existing Convertible Bonds, the financial pressure on the Company for redemption of the Existing 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 Convertible Bonds. The Group recorded net liabilities of approximately HK\$257.3 million and HK\$240.3 million as at 30 September 2024 and 31 March 2024 respectively and loss attributable to owners of the Company of approximately HK\$16.8 million and HK\$36.5 million for HY2024 and FY2024 respectively. The net current liabilities of the Group also will be improved as the Existing 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\$2.61 million per year (without taking into the account any tax adjustment) and the total interest saving of approximately HK\$7.93 million (without taking into the account any tax adjustment) if the Existing Convertible Bonds are extended to 31 December 2027.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the Alteration Consent Letters and the Annual Report 2024. 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 2025 and the Existing Third Convertible Bonds upon its maturity on 17 January 2025. By entering into the Alteration Consent Letters, the Group will have more time to seek for and source the necessary funds for the repayment of the Existing Convertible Bonds. Furthermore, by extending the maturity dates of the Existing Convertible Bonds to 31 December 2027, subject to the market condition and the public float requirement, in the event that the Existing Convertible Bonds are converted, the gearing of the Group could be improved without any cash outflow for the repayment of the Existing Convertible Bonds.

We also note that the Alteration of Terms will reduce the Interest Rates to nil. The estimated annual interest saving from the Alteration of Terms will be approximately HK\$2.61 million per year and the total interest saving will be approximately HK\$7.93 million if the Existing Convertible Bonds are extended to 31 December 2027. (without taking into the account any tax adjustment). As a result, the Alteration of Terms will reduce 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 to extend the Existing Convertible Bonds and reduce the Interest Rates to nil would reduce the Group’s financial burden and prevent the Group from default of repayment upon the maturity of the Existing Convertible Bonds.

*(i) Equity 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 activities in the past 12 months immediately preceding the Latest Practicable Date.

*(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 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 Group had no suitable assets available to be pledged as collateral; (3) the further debt financing may further weaken the cashflow and financial position of the Group as compared with the reduction in Interest Rates to nil in the Alteration Consent Letters. Based on our analysis on the financial position of the Group as discussed in the section headed “(II) Background and financial performance of the Group” above, after considering that the Group’s was at net liabilities position as at 31 March 2024 and 30 September 2024, we concur with the Directors’ 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(b) Placing of new Shares

The Directors have considered that given the Group's net liabilities position and the number of Conversion Shares of the Existing Convertible Bonds, 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%, to fulfill the capital requirement for the Existing Convertible Bonds. 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 an immediate dilution to the shareholding of existing Shareholders. Therefore, rather than conducting placing of new shares to repay the Existing Convertible Bonds, we agree with the Directors' view that entering into the Alteration Consent Letters is 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 (i) more documentation is typically required for the rights issue or an open offer; (ii) it generally takes longer time to arrange rights issue or open offer than the Alteration of Terms; and (iii) 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.

Given the net liabilities position of the Group as discussed in the section headed "(II) Background and financial performance of the Group" above in this letter, we consider that it is difficult for the Company to obtain external financing to settle the Existing Convertible Bonds which may be relatively costly and time-consuming, particularly with the imminent maturity of the Existing Third Convertible Bonds within two months from the Latest Practicable Date. 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**

On 6 November 2024 (after trading hours), the Company and the Existing Bondholders have entered into the Alteration Consent Letters and conditionally agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the Interest Rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be reduced from 1% to 0% per annum and the interest rate of the Existing Third Convertible Bonds be reduced from 2% to 0% per annum;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the Conversion Price be changed from HK\$0.384 per Conversion Shares to HK\$0.100 per Conversion Shares;
- (iii) the maturity date of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be extended from 31 August 2025 to 31 December 2027 and the maturity date of the Existing Third Convertible Bonds be extended from 17 January 2025 to 31 December 2027; and
- (iv) the Existing Third Convertible Bonds be redeemed at 98% of principal amount at maturity.

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

For details of the salient terms of the Existing Convertible Bonds after Alteration of Terms, please refer to the section headed “PROPOSED ALTERATION TO THE TERMS OF THE EXISTING 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 “(VII) Financial effects as a result of the Alteration of Terms” below in this letter.

The Alteration of Terms are conditional upon the following conditions:

- (a) the Stock Exchange granting its approval for the Alteration of Terms;
- (b) the passing by the Shareholders or the Independent Shareholders (as the case may be) of relevant resolutions at the SGM approving the Share Reorganisation, the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate);
- (c) the Capital Reorganisation having become effective; and
- (d) 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 will not proceed with the Alteration of Terms.

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

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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (V) Our assessment on the Alteration of Terms and the Conversion Price

In assessing the fairness and reasonableness of the Alteration of Terms and the Conversion Price, we have primarily taken into account (i) the financial position of the Group, which has been discussed in the section headed “(II) Background and financial performance of the Group” above in this letter; (ii) the historical Share price performance; and (iii) the market comparables in respect of recent issuance of convertible bonds/notes.

#### (i) Historical Share price performance

We have reviewed the chart illustrates the historical daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 November 2023 (being the approximately one year prior to the date of Alteration Consent Letters) up to and including the Latest Practicable Date (the “Review Period”). We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the recent price movement of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

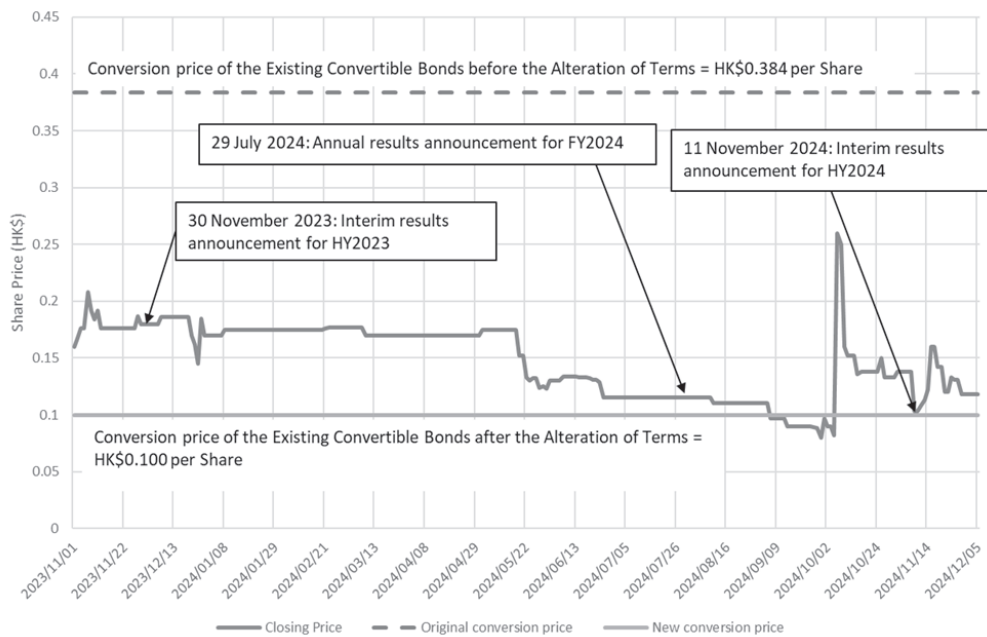


Chart 1: Historical Share price performance of the Company during the Review Period

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, the Conversion Price was determined after arm's length negotiations between the Company and the Bondholders with reference to (i) the prevailing market price of the Shares; (ii) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong; (iii) the financial position of the Group, in particular, the loss for the year ended 31 March 2024 attributable to owners of the Company of approximately HK\$36.5 million, (iv) the high gearing of the Group as at 30 September 2024 of approximately HK\$223.1 million; and (v) the reasons for and benefits of the Alteration of Terms. The Conversion Price represents:

- (i) a discount of approximately 15.25% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 27.54% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on 6 November 2024, being the date of the Alteration Consent Letters;
- (iii) a discount of approximately 26.47% to the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Alteration Consent Letters;
- (iv) a discount of approximately 14.8% over the average daily closing price of HK\$0.117 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to the date of the Alteration Consent Letters; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 24.6%, represented by the theoretical diluted price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.104 per Share, to the benchmarked price of HK\$0.138 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK\$0.138 per Share on the date of the Alteration Consent Letters and (ii) the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Alteration Consent Letters).

As noted in the above chart 1, during the Review Period, the daily closing prices of the Shares ranged from the lowest of HK\$0.080 per Share on 27 September 2024, to the highest of HK\$0.260 per Share on 7 October 2024 with an average closing price of HK\$0.147 per Share. We note that the closing price of the Shares was in a decreasing trend and reached the lowest of HK\$0.080 per Share on 27 September 2024 before the fluctuation of the closing price of the Shares in October 2024. As advised by the Directors, they are not aware of any specific reasons for the aforesaid closing price fluctuation of the Shares during October 2024. Although there was a temporary increase in the closing price of the Shares up to HK\$0.260 per Share on 7 October 2024, the closing price of the Shares was decreasing in general during the Review Period from HK\$0.160 per Share on 1 November 2023 to HK\$0.118 per Share as at the Latest Practicable Date. The Conversion Price of HK\$0.100 per Share is within the range of the closing price of the Share but is below the average closing price of the Shares during the Review Period. As at the Latest Practicable Date, the Conversion Price represents a discount of approximately 15.25% to the closing price of the Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the decreasing trend of the closing price of the Shares during the Review Period and the financial position of the Group, we consider that (i) it would be difficult to determine the outcome and the pricing of alternative equity financing methods, such as placing, rights issue or open offer; and (ii) a similar or higher discount to the closing price, as compared with that of the Conversion Price, may be required to attract potential investors or existing Shareholders to subscribe for the Shares. Therefore, comparing with other equity financing methods, which would cause high uncertainty to the Group's ability to meet the repayment obligations associated with the Existing Convertible Bonds, the Alteration of Terms is preferred.

*(ii) The market comparables in respect of recent issuance of convertible bonds/notes*

To assess the fairness and reasonableness of the key terms of the Alteration Consent Letters, we have attempted to conduct the research on the website of the Stock Exchange in respect of issue, placing and subscription of convertible bonds/notes exercises (excluding A-share convertible bonds) with the following criteria: (i) the issuers are listed on the Stock Exchange, of which the shares were not in prolonged suspension at the date of the announcement; (ii) the issuers announced to issue or appoint a placing agent to place the convertible bonds/notes with principal amount from HK\$20 million to HK\$400 million to raise funds during the last three-month immediately preceding the date of the Alteration Consent Letters, excluding those for the acquisition transactions, corporate restructuring and takeover of the listed company; (iii) the duration of the convertible bonds/notes is not perpetual; and (iv) the proposed issue of the convertible bonds/notes has not been terminated or lapsed as at the Latest Practicable Date. 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 the above criteria, we identified an exhaustive list of four transactions, which one of the transactions is excluded as outlier. Accordingly, we have extended our research to the period of 18-month immediately preceding the date of the Alteration Consent Letters (the “**Comparable Period**”). 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 33 convertible securities (the “**Comparable Transactions**”). We consider that the Comparable Period is fair and representative (i) to reflect the 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 sufficient and meaningful number of samples of 33 representative Comparable Transactions for the purpose of our analysis. Set out below is the Comparable Transactions analysis:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Name of company	Percentage of conversion			Net assets position as at date of the announcement (Yes/No)	Duration (years)	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days immediately preceding the date of the relevant agreement	
			Principal amount (HK\$ million)	shares issued to total shares	Connected transaction (Yes/No)				Premium/ (discount) of conversion price over/(to) the closing price on the respective date of relevant agreement	
4 November 2024	1640	Ruicheng (China) Media Group Limited	300.00	20.60%	No	Yes	1.0	5.00%	1.56%	0.70%
29 September 2024	3738	Vobile Group Limited	78.00	1.76%	No	Yes	3.0	Nil	5.98%	16.49%
26 September 2024	1586	China Leon Inspection Holding Limited	30.00	3.30%	No	Yes	5.0	5.00%	0.00%	0.00%
14 August 2024	164	China Baoli Technologies Holdings Limited	139.00	11.90%	No	No	5.0	4.00%	2,025.43% <i>(Note 1)</i>	1,807.44% <i>(Note 1)</i>
22 May 2024	1115	Tibet Water Resources Ltd.	90.00	6.55%	No	Yes	0.3	10.00%	9.09%	2.39%
14 May 2024	3738	Vobile Group Limited	160.00	3.77%	No	Yes	2.0	3.00%	15.00%	14.00%
30 April 2024	1168	Sinolink Worldwide Holdings Limited	200.00	36.91%	Yes	Yes	3.0	Nil	0.00%	10.10%
26 April 2024	76	Elate Holdings Limited	21.00	19.29%	No	Yes	6.0	Nil	50.00%	57.89%



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Date of announcement	Stock code	Name of company	Percentage of conversion			Net assets position as at date of the announcement (Yes/No)	Duration (years)	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days immediately preceding the date of the relevant agreement	
			Principal amount (HK\$ million)	shares issued shares	Connected transaction (Yes/No)				Premium/ (discount) of conversion price over/(to) the closing price of the relevant agreement	
7 March 2024	419	Hony Media Group (formerly known as “Huayi Tencent Entertainment Company Limited”)	120.00	8.71%	No	Yes	2.0	10.00%	0.40%	0.00%
6 March 2024	115	Grand Field Group Holdings Limited	101.91	320.00%	Yes	Yes	3.0	6.00%	5.70%	3.30%
22 February 2024	821	Value Convergence Holdings Limited	84.00	28.30%	No	Yes	3.0	Nil	1.69%	2.21%
26 January 2024	1039	Changyou Alliance Group Limited	126.00	16.57%	Yes	No	3.0	8.00%	342.00%	308.00%
23 January 2024	7	Wisdom Wealth Resources Investment Holding Group Limited	39.00	12.34%	No	Yes	1.0	5.88%	117.40%	59.20%
16 November 2023	254	National United Resources Holdings Limited	80.50	18.98%	No	Yes	2.0	6.00%	33.72%	26.93%

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Date of announcement	Stock code	Name of company	Percentage of conversion			Net assets position as at date of the announcement (Yes/No)	Duration (years)	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days immediately preceding the date of the relevant agreement
			Principal amount (HK\$ million)	shares issued	Connected transaction (Yes/No)				Premium/ (discount) of conversion price over/(to) the closing price on the respective date of relevant agreement
8 November 2023	1380	China Kingstone Mining Holdings Limited	200.00	68.92%	No	Yes	1.0	2.00%	(12.80)% (10.74)%
5 November 2023	6616	Global New Material International Holdings Limited	390.00	6.58%	No	Yes	2.0	9.00%	99.48% 100.32%
16 October 2023	959	Century Entertainment International Holdings Limited	32.00	97.47%	Yes	No	3.0	Nil	13.27% 8.47%
12 September 2023	1736	China Parenting Network Holdings Limited	28.29	129.47%	No	Yes	0.5	8.00%	0.00% 2.15%
29 August 2023	381	Kiu Hung International Holdings Limited	45.00	155.03%	No	Yes	5.0	4.00%	32.74% 31.58%
16 August 2023	511	Television Broadcasts Limited	156.00	8.00%	No	Yes	5.0	3.50%	13.23% 1.00%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Name of company	Percentage of conversion			Net assets position as at date of the announcement (Yes/No)	Duration (years)	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days immediately preceding the date of the relevant agreement	
			Principal amount (HK\$ million)	shares issued	to total shares				Connected transaction (Yes/No)	relevant date of agreement
28 July 2023	138	CCT Fortis Holdings Limited	57.90	18.70%	No	Yes	1.0	4.50%	0.00%	4.89%
27 July 2023	399	Innovative Pharmaceutical Biotech Limited	55.50	17.96%	Yes	Yes	10.0	Nil	0.00%	4.66%
25 July 2023	126	Carrianna Group Holdings Company Limited	75.43	8.00%	No	Yes	1.0	6.00%	51.90%	53.45%
11 July 2023	1119	iDreamSky Technology Holdings Limited	386.00	7.50%	No	Yes	5.0	5.00%	7.70%	2.20%
3 July 2023	1991	Ta Yang Group Holdings Limited	40.00	11.91%	No	Yes	3.0	10.00%	2.80%	0.00%
23 June 2023	8003	Great World Company Holdings Limited	31.95	9.67%	No	Yes	3.0	Nil	203.00% (Note 1)	175.50% (Note 1)
9 June 2023	1539	Unity Group Holdings International Limited	117	14.86%	No	Yes	2.0	8.00%	(19.50)%	(17.90)%
6 June 2023	63	China Asia Valley Group Limited	353.36	125.30%	No	Yes	5.0	3.60%	(33.30)%	(31.50)%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Name of company	Percentage of conversion			Net assets position as at date of the announcement (Yes/No)	Duration (years)	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days immediately preceding the date of the relevant agreement		
			Principal amount (HK\$ million)	shares issued	Connected transaction (Yes/No)				Premium/ (discount) of conversion price over/(to) the closing price on the respective date of agreement		
31 May 2023	989	Hua Yin International Holdings Limited	150	4.68%	No	Yes	3.0	6.00%	1.14%	0.00%	
29 May 2023	1188	Hybrid Kinetic Group Limited	100	4.91%	No	No	2.0	5.00%	244.80%	233.30%	
22 May 2023	2399	China Anchu Energy Storage Group Limited	26.21	1.79%	No	Yes	2.0	8.00%	26.92%	27.41%	
16 May 2023	279	Arta TechFin Corporation Limited	40	1.55%	No	Yes	2.0	8.00%	24.80%	25.00%	
11 May 2023	95	LVGEM (China) Real Estate Investment Company Limited	156	1.54%	No	Yes	2.0	6.00%	23.46%	21.21%	
							<b>Maximum:</b>	<b>10.00%</b>	117.40%	100.32%	
							<b>Minimum:</b>	<b>0.3</b>	Nil	(33.30)%	(31.50)%
							<b>Average:</b>	<b>2.9</b>	4.83%	16.29%	14.32%

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Stock code	Name of company	Percentage of conversion			Net assets position as at date of the announcement	Duration (years)	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days immediately preceding the date of the relevant agreement
			Principal amount (HK\$ million)	shares issued	to total shares				Connected transaction (Yes/No)
6 November 2024	1013	The Company	218.18	816.96%	Yes	No	To be extended to 31 December 2027 (approximately 2 years from the Latest Practicable Date)	To be reduced to nil	(27.54)% (26.47)%

*Note:*

- As the premium of the conversion price of China Baoli Technologies Holdings Limited, Changyou Alliance Group Limited, Hybrid Kinetic Group Limited and Great World Company Holdings Limited are extremely higher than the other Comparable Transactions, we have excluded China Baoli Technologies Holdings Limited, Changyou Alliance Group Limited, Hybrid Kinetic Group Limited and Great World Company Holdings Limited from our analysis of the conversion price as outliers.

As shown in the table above, the premium/discount of the conversion price of the Comparable Transactions (after excluding the outliers) over/to the closing price on the respective date of relevant agreement ranged from a discount of approximately 33.30% to a premium of 117.40%, with an average of premium of approximately 16.29%. The premium/discount of the conversion price of the Comparable Transactions (after excluding the outliers) over/to the average closing price for the last five consecutive trading days immediately preceding the respective date of relevant agreement ranged from a discount of approximately 31.50% to a premium of 100.32%, with an average of premium of approximately 14.32%. The discount of the Conversion Price is within the range of the Comparable Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the duration of the Comparable Transactions ranged from 0.3 year to 10 years with an average duration of 2.9 years, which the proposed extension of the Existing Convertible Bonds under the Alteration Consent 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 4.83% per annum, which the proposed nil Interest Rate of the Existing Convertible Bonds under the Alteration Consent Letters is within the range and less than the average. Four out of 33 companies involved in the Comparable Transactions were in net liabilities position on the respective date of relevant agreement, except one of the Comparable Transactions with nil interest rate, three of the Comparable Transactions had the interest rate ranged from 4.00% to 8.00% per annum. Considering that the Company is in net liabilities position and proposed Interest Rates will be reduced to nil under the Alteration Consent Letters and are less than the average of the Comparable Transactions, the Interest Rates after the Alteration of Terms are more favourable than the Comparable Transactions, particularly for those Comparable Transactions with net liabilities position.

From our review of the closing price of the Shares during the Review Period and the analysis of Comparable Transactions as discussed above, the Conversion Price represents a discount of 32.0% to the average closing price of the Shares during the Review Period and the discount of the Conversion Price is below the average of the Comparable Transactions. The discount of the Conversion Price might be less favourable solely based on the above result, however, after carefully considering that (i) the Group was at net liabilities position as at 31 March 2024 and 30 September 2024; (ii) the Group would not have sufficient cash and financial resources to repay the Existing Convertible Bonds upon their maturity dates, in particular the Existing Third Convertible Bonds will mature within two months from the Latest Practicable Date, and may encounter default of repayment of the Existing Convertible Bonds if the Existing Convertible Bonds are not extended; (iii) the Group has difficulty to obtain external financing to settle the Existing Convertible Bonds and, even if such financing is available, a similar or higher discount to the closing price may be required and the outcome is uncertain; (iv) the Existing Convertible Bonds would be extended to 31 December 2027 which could provide extra time for the Group to raise funds and strengthen its financial position; (v) the Interest Rates would be reduced to nil after the Alteration of Terms, which are more favourable than the Comparable Transactions, including those offered by the companies in net liabilities position; (vi) the Conversion Price is within the range of the Comparable Transactions; and (vii) the conversion of the Existing Convertible Bonds is subject to the public float requirement, which will be further discussed in the section headed “(VI) Shareholding structure and the possible dilution effect of the Existing Convertible Bonds” below in this letter, we consider that the potential advantages of the Alteration of Terms outweigh the costs associated with offering the abovementioned discount of the Conversion Price. Accordingly, we are of the view that the Alteration of Terms as a whole is acceptable and reasonable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 would not have sufficient cash and financial resources to settle the Existing Convertible Bonds. In the event the Alteration of Terms does not take place, the ability of the Company to repay the Existing Convertible Bonds and to continue as a going concern will remain uncertain upon their maturities. Therefore, we consider that the Comparable Transactions provide the Independent Shareholders 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. It would not be appropriate to conclude the Alteration of Terms solely based on the result of Comparable Transactions analysis. Therefore, we advise the Independent Shareholders taking a holistic approach to consider various factors as discussed in this letter to justify the fairness and reasonableness of the Alteration of Terms.

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

The below table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of all 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 all the Existing Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Existing Bondholder B (Note 1)	194,292,325	72.66	621,292,325	25.37
Existing Bondholder A (Note 2)	4,810,125	1.80	1,759,610,125	71.84
	<u>199,102,450</u>	<u>74.46</u>	<u>2,380,902,450</u>	<u>97.21</u>
Other Public Shareholders (Note 4)	<u>68,287,081</u>	<u>25.54</u>	<u>68,287,081</u>	<u>2.79</u>
Total	<u>267,389,531</u>	<u>100.00</u>	<u>2,449,189,531</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 194,292,325 Shares.
- (2) The Existing Bondholder A is the ultimate controlling shareholder of the Company and directly holds 4,810,125 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, assuming all the outstanding Existing Convertible Bonds are fully converted at the Conversion Price, a maximum of 2,181,800,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full, which represents:

- (i) approximately 816.96% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 89.08% of the issued share capital of the Company as to be enlarged by the issue of the 2,181,800,000 Conversion Shares (assuming there being no other issue or repurchase of Shares).

For indicative purposes only, before the Alteration of Terms, a maximum of 568,177,082 Conversion Shares can be converted under the original conversion price of the Existing Convertible Bonds. Assuming there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to Existing Convertible Bonds are exercised in full with the original conversion price, the existing shareholding of the Independent Shareholders will be diluted from approximately 25.54% before full conversion of the Existing Convertible Bonds to approximately 8.17% immediately after full conversion of the Existing Convertible Bonds. After the Alteration of Terms, a maximum of 2,181,800,000 Conversion Shares can be converted under the Conversion Price. Assuming there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights attaching to Existing Convertible Bonds are exercised in full with the Conversion Price, the existing shareholding of the Independent Shareholders will be diluted from approximately 25.54% before full conversion of the Existing Convertible Bonds to approximately 2.79% immediately after full conversion of the Existing Convertible Bonds. Based on the above illustration, the increase in dilution effect to the existing shareholding of the Independent Shareholders from Alteration of Terms would be approximately 5.38%.

According to the terms of the Existing Convertible Bonds and after Alteration of Terms, 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 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 Mr. Lam Ching Kui and any parties acting in concert with him ceasing to be the controlling shareholder of the Company within the meaning of the Listing Rules.

We have discussed with the Company and the Company has confirmed that the Existing Bondholders may not be able to convert the Existing 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, either the Existing Bondholder A or the Existing Bondholder B may convert up to approximately 5,758,793 Conversion Shares (equivalent to the principal amount of the Existing Convertible Bonds of approximately HK\$0.58 million) as at the Latest Practicable Date. Therefore, the dilution to the shareholding of the Independent Shareholders is limited assuming the Existing Convertible Bonds are converted as at the Latest Practicable Date. However, it also limits the availability of conversion of the Existing Convertible Bonds to reduce the repayment amount upon their maturity dates.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of (i) the reasons for and benefits of entering into the Alteration Consent Letters as set out in the section headed “(III) Reasons for and benefits of the Alteration of Terms” above; and (ii) the restriction of the minimum public float requirement under the terms of the Existing Convertible Bonds, we consider that the level of dilution (subject to the minimum public float requirement of the Listing Rules) to the shareholding interests of the Independent Shareholders is acceptable.

### **(VII) 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. After extension of the Existing 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\$221.05 million as at 30 September 2024 to approximately HK\$21.50 million.

#### *(ii) Earnings*

As the Interest Rates of the Existing First Convertible Bonds and the Existing Second Convertible Bonds be reduced from 1% to 0% per annum and the interest rate of the Existing Third Convertible Bonds be reduced from 2% to 0% per annum under the Alteration Consent Letters, the earnings of the Group will be improved by the interest saving of approximately HK\$2.61 million per year (without taking into the account of any tax adjustment resulted from the interest saving).

Based on the above, we consider that interest saving and extension of the Existing Convertible Bonds as illustrated above under the Alteration of Terms is in the interests of the Company and the Shareholders as a whole.

### **RECOMMENDATION**

We note that the Conversion Price is below the average closing price of the Shares during the Review Period and below the average of the Comparable Transactions. Nevertheless, having taken into account the principal factors and reasons as discussed above, in particular:

- (i) the financial position of the Group, including the going concern issue as stated in the Annual Report 2024;
- (ii) the Group does not have sufficient cash to repay the Existing Convertible Bonds;
- (iii) the interest rate of all Existing Convertible Bonds will be reduced to nil, providing interest savings for the Group;
- (iv) extension of the Existing Convertible Bonds will improve the net current liabilities position of the Group and provide extra time for the Group to raise funds to repay the Existing Convertible Bonds and strengthen its financial position;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) limited financing alternatives available to the Group in view of time and costs as all of the Existing Convertible Bonds will mature within approximately eight months from the Latest Practicable Date;
- (vi) the Conversion Price is within the range of the Comparable Transactions; and
- (vii) the dilution to the Independent Shareholders will be restricted by the minimum public float requirement.

we are of the view that although the Alteration Consent 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 Alteration of Terms is on normal commercial terms, is 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 and the transactions contemplated thereunder.

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

*Ms. Psyche So 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 eight years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and chief executive

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) (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 for Securities Transactions by Directors adopted by the Company (the “**Model Code**”), to be notified to the Company and the Stock Exchange.

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

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

Name of Shareholder	Capacity/nature of interest	Number of Shares/underlying shares held	Approximate percentage of shareholdings <i>(Note 3)</i>
Lam Ching Kui	Beneficial owner	1,759,610,125(L) <i>(Note 2)</i>	658.07%
	Interest of controlled corporation	621,292,325(L) <i>(Note 1)</i>	232.35%
Wai Chun Investment Fund	Interest of controlled corporation	621,292,325(L) <i>(Note 1)</i>	232.35%

Name of Shareholder	Capacity/nature of interest	Number of Shares/underlying shares held	Approximate percentage of shareholdings (Note 3)
Ka Chun	Beneficial owner	621,292,325(L) (Note 1)	232.35%

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

*Notes:*

- 427,000,000 Shares refer to the Conversion Shares which may fall to be allotted and issued pursuant to the Existing Third Convertible Bonds, the remaining 194,292,325 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.
- 1,754,800,000 Shares refer to the Conversion Shares which may fall to be allotted and issued pursuant to the Existing Convertible Bonds, the remaining 4,810,125 Shares refers to the Shares held by Mr. Lam Ching Kui as beneficial owner.
- The approximate percentages of shareholding are calculated based on 267,389,531 Shares 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.

None of the Director is also a director or employee of any 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 2024, 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 2024, 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 2024, 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. Chin Ying Ying, 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 branch 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 Convertible Bonds;
- (vi) the alteration consent letters for the previous alteration of terms of the Existing Convertible Bonds;
- (vii) the Alteration Consent Letters; and
- (viii) 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 Wednesday, 8 January 2025 at 11:00 a.m. to consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

### SPECIAL RESOLUTION

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 New Ordinary Shares (as defined below); and (ii) the compliance by the Company with the requirement of Section 46(2) of the Companies Act 1981 (as amended) of Bermuda and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), with effect from the second business day immediately following the day of passing of this resolution or such later date when the aforementioned conditions are satisfied:
  - (a) the par value of each of the issued ordinary shares of HK\$0.8 each in the share capital of the Company (the “**Ordinary Shares**”) be reduced from HK\$0.8 to HK\$0.01 per issued Ordinary Share by cancelling the paid-up share capital to the extent of HK\$0.79 per issued Ordinary Share (the “**Capital Reduction**”) such that immediately following the Capital Reduction, the par value of each issued Ordinary Shares will be HK\$0.01 and the issued share capital of the Company will be reduced from an amount of HK\$213,911,624.80 by HK\$211,237,729.49 to HK\$2,673,895.31;
  - (b) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Ordinary Shares of par value of HK\$0.8 each (including authorized but unissued Ordinary Shares arising from the Capital Reduction) be sub-divided into eighty (80) new ordinary shares of the Company of par value of HK\$0.01 each (the “**New Ordinary Shares**”), and (b) each of the authorized but unissued preference shares of HK\$0.8 each of the Company be sub-divided into eighty (80) new preference shares with a par value of HK\$0.01 each of the Company (the “**New Preference Shares**”) (together, the “**Share Sub-division**”) so that immediately following the Capital Reduction and the Share Sub-division, the authorised share capital of the Company will become HK\$1,000,000,000 divided into 89,000,000,000 New Ordinary Shares and 11,000,000,000 New Preference Shares, each with a par value of HK\$0.01;

\* For identification purpose only

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## NOTICE OF SGM

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- (c) the credit arising from the Capital Reduction be applied to offset the accumulated losses of the Company as at the effective date of the Capital Reduction and the remaining balance of the credit (if any) be transferred to the contributed surplus account of the Company and may be applied by the board of directors of the Company (the “**Directors**”) in any manner permitted by or consistent with all applicable laws and the bye-laws of the Company; and
- (d) the Directors and each of them be and are fully authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute (under hand, seal or as a deed) any documents which they in their absolute discretion consider necessary, desirable, expedient or appropriate to effect and implement this resolution and to exercise such discretion in connection, relating to or arising from the Capital Reduction and the Share Sub-division and/or the matters contemplated herein, with such modifications thereto (if any) as they or he may from time to time consider necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Capital Reduction and the Share Sub-division.”

### ORDINARY RESOLUTIONS

- 2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above:
  - (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 1% per annum to 0% per annum;
    - (ii) the conversion price of the Existing First Convertible Bonds be adjusted from HK\$0.384 per New Ordinary Share to HK\$0.1 per share (the “**Conversion Share(s)**”); and
    - (iii) the maturity date of the Existing First Convertible Bonds be extended from 31 August 2025 to 31 December 2027.
  - (b) the Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 1,520,000,000 Conversion Shares, which may be issued by the Company upon the exercise of the conversion rights attached to the Existing First Convertible Bonds; and
  - (c) 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.”



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## NOTICE OF SGM

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3. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above:
- (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 1% per annum to 0% per annum;
    - (ii) the conversion price of the Existing Second Convertible Bonds be adjusted from HK\$0.384 per New Ordinary Share to HK\$0.1 per Conversion Share; and
    - (iii) the maturity date of the Existing Second Convertible Bonds be extended from 31 August 2025 to 31 December 2027.
  - (b) the Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 234,800,000 Conversion Shares, which may be issued by the Company upon the exercise of the conversion rights attached to the Existing Second Convertible Bonds; and
  - (c) 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.”
4. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above:
- (a) the terms of the 2% coupon convertible bonds due 2025 issued by the Company on 17 January 2022 in the aggregate principal amount of HK\$42,700,000 (the “**Existing Third Convertible Bonds**”) be amended as follows (the “**Alteration of Terms of the Existing Third Convertible Bonds**”):
    - (i) the interest rate of the Existing Third Convertible Bonds be reduced from 2% per annum to 0% per annum;
    - (ii) the conversion price of the Existing Third Convertible Bonds be adjusted from HK\$0.384 per New Ordinary Share to HK\$0.1 per Conversion Share;
    - (iii) the maturity date of the Existing Third Convertible Bonds be extended from 17 January 2025 to 31 December 2027; and
    - (iv) the Existing Third Convertible Bonds be redeemed at 98% of its principal amount at maturity.

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## NOTICE OF SGM

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- (b) the Directors be and are hereby authorised, as a specific mandate, to allot, issue and deal with the 427,000,000 Conversion Shares, which may be issued by the Company upon the exercise of the conversion rights attached to the Existing Third Convertible Bonds; and
- (c) 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 Third Convertible Bonds.”

On behalf of the Board

**Wai Chun Group Holdings Limited**

**Lam Ka Chun**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 13 December 2024

*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 Friday, 3 January 2025 to Wednesday, 8 January 2025 (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 4:30 p.m. on Thursday, 2 January 2025.

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## NOTICE OF SGM

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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 Ka Chun (Chairman and Chief Executive Officer) and three independent non-executive Directors, namely Mr. Wan Bo, Dr. Wang Wei and Ms. Kung Ying Tung.