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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

\* For identification purpose only

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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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- (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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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:

	As at the Latest Practicable Date	Immediately Upon the Capital Reorganisation becoming effective
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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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:	<p>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</p>
Maturity date:	31 December 2027

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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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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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*(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	
	Number of Shares	Approximate %	Number of Shares	Approximate %
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> )	68,287,081	25.54	68,287,081	2.79
Total	267,389,531	100.00	2,449,189,531	100.00

*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*

