



偉俊生物科技有限公司

Wai Chun Bio-Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 660)

25 August 2025

To the Shareholders

Dear Sir or Madam,

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

References are made to (i) the Announcement in relation to the Subscription Agreement and the transactions contemplated thereunder; (ii) the announcement of the Company dated 15 May 2025 in relation to the First Supplemental Agreement and the extension of Long Stop Date; and (iii) the announcement of the Company dated 20 August 2025 in relation to the Second Supplemental Agreement and the further extension of Long Stop Date.

The purpose of this circular is to provide you with, among others, (i) details of the Subscription Agreement (as amended by the Supplemental Agreements) involving the issue of the New Convertible Bonds under the New Convertible Bonds Specific Mandate to be sought at the EGM; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription; (iii) the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in relation to the Subscription; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules.

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

The Subscription Agreement (as amended by the Supplemental Agreements)

On 14 April 2025, the Company entered into the Subscription Agreement with the Existing Bondholder 1, Mr. Lam Ching Kui (a connected person of the Company), pursuant to which the Existing Bondholder 1 conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$15,000,000 under the New Convertible Bonds Specific Mandate.

The New Convertible Bonds carry the conversion rights to convert into 214,285,714 New Convertible Bonds Conversion Shares at the New Convertible Bonds Conversion Price of HK\$0.07 per New Convertible Bonds Conversion Share (subject to adjustment). The subscription amount payable by the Existing Bondholder 1 under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and the Other Loan, payable by the Company to the Existing Bondholder 1 and/or its associates which is expected to amount to HK\$15,000,000 as at Completion Date.

On 15 May 2025 (after trading hours), the Company and the Existing Bondholder 1 entered into the First Supplemental Agreement pursuant to which the parties agreed to extend the Long Stop Date to 29 August 2025 (or such other date as may be agreed by the Company and the Existing Bondholder 1). On 20 August 2025 (after trading hours), the Company and the Existing Bondholder 1 has entered into the Second Supplemental Agreement, pursuant to which the parties agreed to extend the Long Stop Date of the Subscription Agreement to 30 September 2025 (or such other date as may be agreed by the Company and the Existing Bondholder 1). Save for the above changes, all other terms and the conditions of the Subscription Agreement remain unchanged.

The principal terms of the New Convertible Bonds are summarised below:

Principal terms of the New Convertible Bonds

Issuer:	The Company
Subscriber:	Mr. Lam Ching Kui
Issue price:	100% of the principal amount
Principal amount:	HK\$15,000,000
Conversion price:	HK\$0.07 per Conversion Share, subject to adjustments
Interest Rate:	2% per annum accrued on a daily basis of a 365-day year and payable quarterly in arrears
Redemption at maturity:	98% of the principal amount of the New Convertible Bonds
Form and denomination:	The New Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each.
Adjustment events:	<p>(a) Consolidation or sub-division of the shares</p> <p>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.</p> <p>Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.</p> <p>(b) Capitalisation of profits or reserves</p>

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

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.

(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 bondholders (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the New Convertible Bonds registered in their names that the bondholders hold out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

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

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

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

(bb) Modification of rights of convertible or exchangeable securities

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

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

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

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

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

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

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

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

New Convertible Bonds
Conversion Shares:

Based on the principal amount of the New Convertible Bonds of HK\$15,000,000, the New Convertible Bonds is convertible into 214,285,714 New Convertible Bonds Conversion Shares at the initial conversion price of HK\$0.07 per New Convertible Bonds Conversion Share (subject to adjustments).

Conversion period:

The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the New Convertible Bonds.

Conversion rights and restrictions:	<p>The holder of the New Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the New Convertible Bonds registered in its name into the New Convertible Bonds Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; (ii) the exercise of the conversion right attached to the New Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) any conversion of the New Convertible Bonds does not trigger a mandatory general offer obligation on the holder of the New Convertible Bonds under Rule 26 of the Takeovers Code.</p>
Early redemption at the option of the Company:	<p>The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) days' notice to the holders of the New Convertible Bonds, propose to the holders to redeem the outstanding New Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding New Convertible Bonds at any time after the date of issue of the New Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the New Convertible Bonds.</p>
Ranking of New Convertible Bonds Conversion Shares:	<p>The New Convertible Bonds Conversion Shares, when allotted and issued, shall rank <i>pari passu</i> in all respects with the shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.</p>
Maturity date:	<p>The date falling on the third anniversary of the date of issue of the New Convertible Bonds.</p>

Voting rights:	The holder of the New Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
Transferability:	Subject to compliance with the Listing Rules, the New Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by the holder of the New Convertible Bonds to any party.
Listing:	No application will be made by the Company for the listing of the New Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares.
Security:	The obligations of the Company under the New Convertible Bonds are unsecured.

New Convertible Bonds Conversion Shares

Upon full conversion of the New Convertible Bonds at the New Convertible Bonds Conversion Price of HK\$0.07 each, a maximum of 214,285,714 New Convertible Bonds Conversion Shares will be allotted and issued which represents:

- (i) approximately 120.06% of the total number of Existing Ordinary Shares as at the Latest Practicable Date;
- (ii) approximately 54.56% of the total number of Existing Ordinary Shares as enlarged by the allotment and issue of the 214,285,714 New Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of Existing Ordinary Shares from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full; and
- (iii) approximately 10.46% of the total number of Existing Ordinary Shares as enlarged by the allotment and issue of the 214,285,714 New Convertible Bonds Conversion Shares and the allotment and issue of the 1,656,666,666 Existing Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of Existing Ordinary Shares from the Latest Practicable Date to the date when the New Convertible Bonds are converted in full and the Alteration of Terms being effective.

Conversion Price

The New Convertible Bonds Conversion Price was determined after arm's length negotiations between the Company and the Existing Bondholder 1 with reference to the prevailing market price of the Existing Ordinary Shares on the Stock Exchange before entering into the Subscription Agreement for approximately one year prior to the Last Trading Day, the daily closing prices of the Existing Ordinary Shares ranged from the lowest of HK\$0.064 per Existing Ordinary Share, to the highest of HK\$0.178 per Existing Ordinary Share with an average closing price of HK\$0.104 per Existing Ordinary Share. The New Convertible Bonds Conversion Price of HK\$0.070 per New Convertible Bonds Conversion Share is within the said price range of the Existing Ordinary Shares, it is not less than the par value of the HK\$0.01 per New Ordinary Share and represents:

- (i) a discount of approximately 70.46% to the closing price of HK\$0.237 per Existing Ordinary Share on the Latest Practicable Date;
- (ii) a discount of approximately 7.89% over the closing price of HK\$0.076 per Existing Ordinary Share on the Last Trading Day;
- (iii) a discount of approximately 13.37% over the average of the closing prices of HK\$0.0808 per Existing Ordinary Share for the last five trading days immediately preceding the Last Trading Day;
- (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 7%, represented by the theoretical diluted price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.0749 per Existing Ordinary Share, to the benchmarked price of HK\$0.0808 per Existing Ordinary Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (a) the closing price of HK\$0.0760 per Existing Ordinary Share on the Last Trading Day and (b) the average closing price of HK\$0.0808 per Existing Ordinary Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the Last Trading Day); and
- (v) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the Alteration of Terms represented by a discount of approximately 18%, represented by the cumulative theoretical diluted price of approximately HK\$0.062 per Existing Ordinary Share, to the benchmarked price of HK\$0.076 per Existing Ordinary Share (as defined under Rule 7.27B of the Listing Rules, taking into account the benchmarked price of the Alteration of Terms, being HK\$0.076 per Existing Ordinary Share).

After the negotiation between the Company and the Existing Bondholder 1 in respect of the terms of the New Convertible Bonds, the interest rate of the New Convertible Bonds of 2% per annum proposed by the Existing Bondholder 1 is lower than the interest rate of 6.25% per annum for the Shareholder's Loan and the Other Loan. After considering the reason for and benefits of the issue of New Convertible Bonds and the limited other financing methods as further discussed below, the Board considered that the interest rate of 2% per annum would be acceptable as it would minimize the short-term financial burden to the Group to a total interest in three years of approximately HK\$1.91 million given the net current liabilities position of the Group.

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

Conditions precedent to the Subscription Agreement (as amended by the Supplemental Agreements)

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

- (i) the passing by the Independent Shareholders of relevant resolutions at the EGM in compliance with the requirements of the Listing Rules approving (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the issue of the New Convertible Bonds and the grant of the New Convertible Bonds Specific Mandate for the allotment and issue of the New Convertible Bonds Conversion Shares;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) the Listing Committee granting listing of and permission to deal in the New Convertible Bonds Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the New Convertible Bonds;
- (iv) the Capital Reorganisation having become effective, which is expected to be 12 September 2025;
- (v) none of the warranties given by the Company thereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vi) none of the warranties given by Mr. Lam Ching Kui thereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

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

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

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

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

Completion

Completion of the Subscription Agreement shall take place at 9:00 a.m. on the effective date of the Capital Reorganisation (or such other date as agreed by the Company and the Existing Bondholder 1) after fulfillment of all the conditions precedent set out above.

Minimum public float requirement

Pursuant to the terms of the New Convertible Bonds, the conversion rights are restricted by the public float requirement under the Listing Rules. In other words, the Existing Bondholder 1 may only convert such number of New Convertible Bonds into New Convertible Bonds Conversion Shares which would not cause the Company to not comply with the public float requirement under the Listing Rules following the conversion.

Before the exercise of the conversion rights, the Existing Bondholder 1 shall deliver a written conversion notice to the Company setting out the principal amount of New Convertible Bonds to be converted into New Convertible Bonds Conversion Shares. Having taken into account the initial conversion price as adjusted by the occurrence of triggering events as mentioned above (if any), if the issue of the New Convertible Bonds Conversion Shares pursuant to the exercise of the conversion rights by the Existing Bondholder 1 would result in the Company to not comply with the minimum public float requirement under the Listing Rules, then the Company shall not allow the Existing Bondholder 1 to exercise such conversion rights so as to maintain the minimum public float requirement, and the conversion notice shall be void.

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

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

Name of Shareholder	As at the Latest Practicable Date		Immediately after full conversion of all the outstanding Existing Convertible Bonds only (note 3)		Immediately after full conversion of New Convertible Bonds only (note 3)		Immediately after full conversion of all the outstanding Existing Convertible Bonds and the New Convertible Bonds (note 3)	
			Number of		Number of		Number of	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
Existing Bondholder 1 (note 1)	72,400	0.04	1,116,739,066	60.85	214,358,114	54.58	1,331,024,780	64.95
Existing Bondholder 2 (note 2)	91,550,243	51.30	631,550,243	34.41	91,550,243	23.31	631,550,243	30.82
	91,622,643	51.34	1,748,289,309	95.26	305,908,357	77.89	1,962,575,023	95.77
Public Shareholders (note 4)	86,853,810	48.66	86,853,810	4.74	86,853,810	22.11	86,853,810	4.23
Total	178,476,453	100.00	1,835,143,119	100.00	392,762,167	100.00	2,049,428,833	100.00

Notes:

- (1) Mr. Lam Ching Kui, being Existing Bondholder 1 and the ultimate controlling shareholder, directly holds 72,400 Existing Ordinary Shares.
- (2) Chinese Success, being Existing Bondholder 2, is a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, Chinese Success Limited holds 91,550,243 Existing Ordinary Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) Pursuant to the terms and conditions of the Existing Convertible Bonds and the New Convertible Bonds, the bondholders shall not exercise the conversion rights attached or attaching to the Existing Convertible Bonds and the New Convertible Bonds if, as a result of such exercise, it will cause the public float of the Company to fall below the percentage prescribed under the Listing Rules, and any conversion shall also be subject to no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder.

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 and the Existing Bondholders have entered into alteration consent letters and conditionally agreed to amend the terms of all the outstanding Existing Convertible Bonds with total principal amount of HK\$99,400,000 under specific mandate as disclosed in the announcement of the Company dated on 27 December 2024 and which is subject to approval in the EGM to be held on 30 May 2025. The subscription amount was satisfied by way of offsetting certain debt liabilities owed by the Company to the Existing Bondholder 1 and/or its associates and there was no remaining net proceeds from such fund-raising exercise to be utilised by the Company.

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

Mandate to issue the New Convertible Bonds Conversion Shares

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

Information about the Group

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

Use of proceeds from proposed issue of the New Convertible Bonds

The gross proceeds from the issue of the New Convertible Bonds are expected to be approximately HK\$15,000,000. The subscription amount payable by the Existing Bondholder 1 under the Subscription Agreement (as amended by the Supplemental Agreements) shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and Other Loan, payable by the Company to the Existing Bondholder 1 and/or its associates which is expected to exceed a total amount of HK\$15,000,000 as at Completion Date. The Existing Bondholder 1 and/or its associates had been financing the operations of the Group through the provision of the Shareholder's Loan and the Other Loan to the Group. As at 30 June 2024, the audited balance of the Shareholder's Loan was approximately HK\$2,513,000. For the period from 1 July 2024 to the Latest Practicable Date, Wai Chun Investment Fund, the ultimate holding company of the Company, had provided loan monies to the Group for general capital requirements including but not limited to salaries payment of approximately HK\$2,500,000, rental payment of approximately HK\$1,800,000, settlement of other creditors of approximately HK\$3,000,000 and payment of expenses of approximately HK\$1,187,000 for daily operation of the Group, and the balance of the Shareholder's Loan is expected to increase to HK\$11,000,000, representing an increase of approximately HK\$8,487,000 from that of the audited balance as at 30 June 2024, at the Completion Date and such balance will be assigned to the Existing Bondholder 1 at the Completion Date. Besides, as at 30 June 2024, the audited balance of the Other Loan was approximately HK\$3,429,000. For the period from 1 July 2024 to the Latest Practicable Date, the Existing Bondholder 1 had provided loan to the Group for general capital requirements including but not limited to settlement of other creditors of approximately HK\$571,000, and the balance of the Other Loan is expected to increase to HK\$4,000,000, representing an increase of approximately HK\$571,000 from that of the audited balance as at 30 June 2024. On Completion Date, the Company will owe an amount of approximately HK\$15,000,000 to the Existing Bondholder 1 before offsetting the subscription amount of the New Convertible Bonds payable by the Existing Bondholder 1 under the Subscription Agreement (as amended by the Supplemental Agreements) upon completion of the debt assignment among the Group, Wai Chun Investment Fund and Mr. Lam Ching Kui, which Wai Chun Investment Fund will transfer its creditor's rights of the Shareholder's Loan of HK\$11,500,000 to Mr. Lam Ching Kui, the Existing Bondholder 1 before the Completion Date. As at the Latest Practicable Date, the Shareholder's Loan and Other Loan is approximately HK\$11,500,000 and HK\$3,500,000 respectively.

Other fund-raising methods

The Board has explored other fund-raising methods including debt financing and equity financing before entering into the Subscription Agreement (as amended by the Supplemental Agreements). External offshore 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 offshore debt financing from financial institutions due to the weak financial performance and net current liabilities position of the Group. Even if such external offshore debt financing is available, it is expected that the cost of external offshore debt financing would be higher and terms of the external offshore debt financing might require a higher interest rate, pledge of assets or financial guarantee as there is no operating subsidiary in Hong Kong to generate cash inflow for the Group and the transfer of the funds from the PRC to Hong Kong is subject to regulatory constraints.

The Board has also explored but not decided to conduct equity placement to independent third parties that might require a higher discount on the placing price and would give immediate dilution effect on the shareholding of the Company. Additional financial burden to the Group would arise as equity placement would incur placing commission to placing agent and other professional expenses. The placing agent has 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 Existing Ordinary Shares. Besides, conducting equity financing by way of right issue or open offer might require a higher discount on the issue price, a more lengthy timetable and a higher cost to professional parties for such fund-raising exercise, and would give immediate dilution to the shareholders who do not participate in the right issue or open offer as compared to the issue of the New Convertible Bonds which do not give immediate dilution effect on the shareholding of the Company.

As at the Latest Practicable Date, other than the Subscriber, no investor has shown any interest in providing debt or equity financing to the Company.

Having considered the above factors, the Board considers that the issue of the New Convertible Bonds is the feasible and realistic option for the Group to improve short-term liquidity position and avoid immediate dilution effect on the shareholding of the Independent Shareholders although the Group may still have a relative high gearing ratio in the short run. The Board considers that the issue of the New Convertible Bonds 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. As the Shareholder's Loan and the Other Loan will be settled through the issuance of the New Convertible Bonds, there will be no immediate cash outflow required in the short run. The reduction in the interest rates will ease the interest burden of the Company.

Reasons for and benefits of entering into the Subscription Agreement (as amended by the Supplemental Agreements)

The subscription amount payable by the Existing Bondholder 1 under the Subscription Agreement (as amended by the Supplemental Agreements) shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and the Other Loan, payable by the Company to the Existing Bondholder 1 and/or its associates as at the Completion Date. Since the Group had incurred losses of approximately HK\$65,707,000 and HK\$13,054,000 for the year ended 30 June 2024 and the six months ended 31 December 2024 and had low cash and bank balance of only approximately HK\$2,161,000 as at 30 June 2024, HK\$1,784,000 as at 31 December 2024 and HK\$3,300,000 as at the Latest Practicable Date respectively. There is no loan and advances due to the Group per the management accounts of the Company and its subsidiaries as at the Latest Practicable Date. The loan provided by the Group to a third party with the amount of approximately HK\$21,224,000 as at 30 June 2024 has been fully repaid as at the Latest Practicable Date. The Company did not intend to utilize the repaid loan to settle the Shareholder's Loan and Other Loan because the subsidiaries in the PRC needed to settle the trade payables to suppliers and general working capital for daily operation. The Board is of the view of that such arrangement is in the interest of the Company and its shareholders as a whole, as the subsidiaries in the PRC, the subsidiaries in Hong Kong and the Company had sources of funds for operational needs. The Existing Bondholder 1 had been financing the operations of the Company and its subsidiaries in Hong Kong through the provision of the Shareholder's Loan and the Other Loan to the Group as there was no other offshore financing available to the Group. The terms of the Shareholder's Loan and Other Loan were determined after arm's length negotiations between the Company and the Existing Bondholder 1. The aggregate amount of the Shareholder's Loan and Other Loan and accrued interest is approximately HK\$15,000,000 as at the Latest Practicable Date and is expected to exceed HK\$15,000,000 as at Completion Date due to the additional financial support by the Existing Bondholder 1 and Wai Chun Investment Fund, which is wholly owned by the Existing Bondholder 1. The Shareholder's Loan and the Other Loan are unsecured, carried an interest rate at 6.25% per annum as calculated by Hong Kong Prime Rate of 5.25% per annum plus 1% per annum, and repayable on demand as at the Latest Practicable Date.

The Board considers that the Shareholder's Loan which bear interest at 6.25% per annum together with the Other Loan which is also owed to the controlling Shareholder (including its ultimate beneficial owner, the Existing Bondholder 1), represents a heavy financial burden to the Group as the Group had net current liabilities of approximately HK\$139.5 million as at 30 June 2024. In view of the above, the Board has reviewed and explored different approaches to settle the Shareholder's Loan and the Other Loan (together with the accrued interest). The Company has reached out with banks and financial institutions for external financing, but it was not feasible due to the weak financial performance and the net current liabilities and net liabilities position of the Group as at 30 June 2024 and 31 December 2024. As at the Latest Practicable Date, no bank or financial institution has shown any interest in providing financing to the Company. After the negotiation between the Company and the Existing Bondholder 1, Existing Bondholder A did not accept the nil interest rate as proposed by the Company and only agreed to subscribe for the New Convertible Bonds unless the Company accepted his proposal in respect of the Subscription. The Board considered the issue of the New Convertible Bonds to be the most effective and suitable financing method and is in the interests of the Shareholders as a whole even though the proposed interest rate of the New Convertible Bonds is higher than that of the Existing Convertible Bonds after considering that (i) the New Convertible Bonds bear a lower interest rate of 2% per annum and will be able to minimize the short-term financial burden to the Group as total interest in three years amounting to approximately HK\$1,912,500 will be saved; (ii) the financial pressure on the Company for redemption of the New Convertible Bonds at the maturity date would also be lessened because of the redemption discount of 2% at the maturity of the New Convertible Bonds; (iii) the net current liabilities of the Group also will be improved as the Shareholder's Loan and the Other Loan (together with the accrued interest) will be reclassified from current liabilities to non-current liabilities after the Subscription becomes effective; (iv) the principal amount of the Shareholder's Loan and the Other Loan (together with the accrued interest) will be fully settled upon the exercise in full of the conversion rights of the New Convertible Bonds without requiring any cash outflow on the Company; (v) the conversion of the New Convertible Bonds would be restricted by the minimum public float requirement under the Listing Rules as compared with the other equity financing method, such as placing; and (vi) as at the Latest Practicable Date, no bank or financial institution has shown any interest in providing financing to the Company.

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

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

THE INDEPENDENT BOARD COMMITTEE

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

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Lam Ching Kui, the Existing Bondholder 1, is the ultimate controlling shareholder of the Company, who is interested in 72,400 Existing Ordinary Shares personally, representing approximately 0.04% of the total number of Existing Ordinary Shares, and through his indirect interests in the Existing Bondholder 2, Chinese Success, was taken to be interested in total 91,622,643 Existing Ordinary Shares representing approximately 51.34% of Existing Ordinary Shares of the Company as at the Latest Practicable Date. Therefore, the Existing Bondholder 1 and its associates (including the Existing Bondholder 2) are connected persons of the Company, and the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Existing Bondholder 1 is an investor who has made investments in listed securities and has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong for over 30 years. Save that Mr. Lam Ka Chun, who is an executive director of the Company and the son of the Existing Bondholder 1, is deemed to be interested in the Subscription and the transactions contemplated thereunder (including the grant of the New Convertible Bonds Specific Mandate), who had abstained from voting, none of the Directors had a material interest in the Subscription and was required to abstain from voting on the resolutions passed by the Board to approve the Subscription and the transactions contemplated thereunder (including the grant of the New Convertible Bonds Specific Mandate).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Existing Bondholder 1 and its associates (including the Existing Bondholder 2) are required to abstain from voting on the resolutions in respect of the Subscription at the EGM. To the best of the information, belief and knowledge of the Directors, save for the Existing Bondholder 1 and its associates (including the Existing Bondholder 2), no other Shareholder has any material interest in the Subscription.

An application will be made to the Stock Exchange for its approval of: (i) the Subscription; and (ii) the listing of, and permission to deal in, the New Convertible Bonds Conversion Shares arising from the conversion of the New Convertible Bonds.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Rooms 4001-02, 40/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong on Wednesday, 17 September 2025 at 3:00 p.m., to consider and if thought fit, to approve, among other things, the entering into of the Subscription Agreement (as amended by the Supplemental Agreements) and the transactions contemplated thereunder. A form of proxy for use at the EGM is enclosed with this circular.

The notice of the EGM is set out on pages 76 to 78 of this circular.

PROXY ARRANGEMENT

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 September 2025 to Wednesday, 17 September 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, 17 September 2025 are entitled to attend and vote in respect of the resolutions to be proposed at the EGM. In order to qualify for attending and voting at the Meeting (or any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates(s) must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Thursday, 11 September 2025.

RECOMMENDATIONS

The Independent Board Committee, having considered the advice from IFA, considers that the terms of the Subscription Agreement (as amended by the Supplemental Agreements) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreement (as amended by the Supplemental Agreements) and the transactions contemplated respectively thereunder to be proposed at the EGM.

The recommendation of the Independent Board Committee is set out on page 32 to 33 in this circular and the letter from IFA is set out on pages 34 to 70 in this circular.

The Board considers the terms of the Subscription Agreement (as amended by the Supplemental Agreements) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreement (as amended by the Supplemental Agreements) and the transactions contemplated respectively thereunder (including the grant of the New Convertible Bonds Specific Mandate) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

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

A handwritten signature in black ink, appearing to be 'Lam Ka Chun', with a stylized flourish at the end.

Lam Ka Chun
Chairman and Chief Executive Officer