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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)

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

PROPOSED ISSUE OF THE NEW CONVERTIBLE BONDS

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

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

Assuming all of the New Convertible Bonds are converted in full at the New Convertible Bonds Conversion Price, 560,000,000 New Convertible Bonds Conversion Shares may be allotted and issued to Chinese Success subject to certain conversion restrictions, representing (i) approximately 33.3% of the total number of issued Shares as at the date of this announcement; (ii) approximately 25.0% of the total number of issued Shares as enlarged by the allotment and issue of the New Convertible Bonds Conversion Shares; and (iii) approximately 9.7% of the total number of issued Shares as enlarged by the allotment and issue of the New Convertible Bonds Conversion Shares and the allotment and issue of the Existing Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of Shares from the date of this announcement to the date when the New Convertible Bonds are converted in full (except for the allotment and issue of the Existing Convertible Bonds Conversion Shares). The New Convertible Bonds Conversion Shares will be allotted and issued under the New Convertible Bonds Specific Mandate to be approved by the Independent Shareholders at the EGM.

PROPOSED ALTERATION OF TERMS OF THE EXISTING CONVERTIBLE BONDS

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

On 22 December 2022 (after trading hours), the Company and the Existing Bondholders have agreed to amend the terms of the Existing Convertible Bonds as follows:

- (i) the conversion price of the Existing Convertible Bonds be amended from HK\$0.05 per Existing Convertible Bonds Conversion Share to HK\$0.025 per Existing Convertible Bonds Conversion Share;
- (ii) the Interest Rates be amended from 2% per annum to 0% per annum;
- (iii) the Existing Convertible Bonds be redeemed at 95% of its principal amount at maturity;
- (iv) the maturity date of Existing Convertible Bonds 1 be extended to 18 January 2025 to be in line with the maturity date of Existing Convertible Bonds 2;
- (v) the conversion rights attached to the Existing Convertible Bonds 2 be only exercised on the condition that any conversion of the Existing Convertible Bonds 2 does not trigger a mandatory general offer obligation on the Existing Bondholder 2 under Rule 26 of the Takeovers Code;

- (vi) the Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 2 in principal amount of HK\$850,000 into 34,000,000 Existing Convertible Bonds Conversion Shares to be allotted and issued upon conversion representing 1.98% of the total number of issued Shares as enlarged by the allotment and issue of the 34,000,000 Existing Convertible Bonds Conversion Shares after the alteration to the terms of the Existing Convertible Bonds 1 and Existing Convertible Bonds 2 are completed; and
- (vii) the Existing Convertible Bondholder 1 and Existing Convertible Bondholder 2 providing an undertaking to convert the Existing Convertible Bonds 1 and the Existing Convertible Bonds 2 respectively in principal amount of HK\$1,800,000 into 144,000,000 Existing Convertible Bonds Conversion Shares in aggregate to be allotted and issued upon conversion representing 7.75% of the total number of issued Shares as enlarged by the allotment and issue of the 144,000,000 Existing Convertible Bonds Conversion Shares one year after the issue of the Conversion Shares as mentioned in above (vi) is completed.

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

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

LISTING RULES IMPLICATIONS

Chinese Success is a controlling Shareholder interested in an aggregate of 811,502,432 Shares, representing in aggregate approximately 48.28% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, who is interested in 28,004,000 Shares personally, representing in aggregate approximately 1.67% of the total number of issued Shares. Therefore, Chinese Success is a connected person of the Company, and the Subscription and the Alteration of Terms constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

GENERAL

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Subscription Agreement, the Alteration of Terms and the transactions contemplated thereunder respectively, including the issue of the New Convertible Bonds. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement including the terms of the New Convertible Bonds and the Alteration of Terms, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An EGM will be convened and held to consider and, if thought fit, approve (i) the Subscription; and (ii) the Alteration of Terms. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Chinese Success and its associates (including Mr. Lam Ching Kui) are required to abstain from voting on the resolutions in respect of the Subscription and the Alteration of Terms at the EGM. To the best of the information, belief and knowledge of the Directors, save for Chinese Success and its associates (including Mr. Lam Ching Kui), no other Shareholder has any material interest in the Subscription and the Alteration of Terms. None of the Directors has material interest in the Subscription and the Alteration of Terms and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement, the Alteration of Terms and the transactions contemplated thereunder respectively.

A circular containing, *inter alia*, (i) further information of the Subscription and the Alteration of Terms; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Alteration of Terms; (iii) the letter of advice from the Independent Financial Adviser; (iv) details of the New Convertible Bonds and the Alteration of Terms; and (v) notice of the EGM, is expected to be despatched to the Shareholders on or before 20 January 2023.

Completion of the Subscription Agreement is subject to the fulfillment and/or waiver (as the case may be) of the conditions precedent set out in the Subscription Agreement and therefore may or may not proceed. If any of the conditions precedent to the Alteration of Terms are not satisfied, the Alteration of Terms will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

PROPOSED ISSUE OF THE NEW CONVERTIBLE BONDS

On 22 December 2022 (after trading hours), the Company entered into the Subscription Agreement with Chinese Success (a connected person of the Company) pursuant to which Chinese Success conditionally agreed to subscribe for and the Company conditionally agreed to issue the New Convertible Bonds in the principal amount of HK\$14,000,000. The principal terms of the New Convertible Bonds are set out below:

Issuer:	The Company
Subscriber:	Chinese Success
Issue price:	100% of the principal amount
Principal amount:	HK\$14,000,000
Conversion price:	HK\$0.025 per Conversion Share, subject to adjustments
Form and denomination:	The New Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each
Adjustment events:	The New Convertible Bonds Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events such as consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distribution, issue of new Shares for subscription by way of rights, issue of convertible or exchangeable securities, modification of rights of convertible or exchangeable securities.
Interest rate:	Free on interest
New Convertible Bonds Conversion Shares:	Based on the principal amount of the New Convertible Bonds of HK\$14,000,000, the New Convertible Bonds is convertible into 560,000,000 New Convertible Bonds Conversion Shares at the initial conversion price of HK\$0.025 per New Conversion Share (subject to adjustments).
Conversion period:	The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the New Convertible Bonds.

Conversion rights and restrictions: The holder of the New Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the New Convertible Bonds registered in its name into the New Convertible Bonds Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; (ii) the exercise of the conversion right attached to the New Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) any conversion of the New Convertible Bonds does not trigger a mandatory general offer obligation on the holder of the New Convertible Bonds under Rule 26 of the Takeovers Code.

Early redemption at the option of the Company: The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) days' notice to the holders of the New Convertible Bonds, propose to the holders to redeem the outstanding New Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding New Convertible Bonds at any time after the date of issue of the New Convertible Bonds up to and including the date falling fourteen (14) days immediately before the maturity date of the New Convertible Bonds.

Ranking of New Convertible Bonds Conversion Shares: The New Convertible Bonds Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.

Maturity date:	The date falling on the third anniversary of the date of issue of the New Convertible Bonds.
Voting rights:	The holder of the New Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
Transferability:	Subject to compliance with the Listing Rules, the New Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by 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\$0.025 each (subject to adjustments), a maximum of 560,000,000 New Convertible Bonds Conversion Shares will be allotted and issued which represents:

- (i) approximately 33.3% of the total number of issued Shares as at the date of this announcement;
- (ii) approximately 25.0% of the total number of issued Shares as enlarged by the allotment and issue of the 560,000,000 New Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of Shares from the date of this announcement to the date when the New Convertible Bonds are converted in full; and
- (iii) approximately 9.7% of the total number of issued Shares as enlarged by the allotment and issue of the 560,000,000 New Convertible Bonds Conversion Shares and the allotment and issue of the 3,520,000,000 Existing Convertible Bonds Conversion Shares, assuming that there is no other change to the total number of Shares from the date of this announcement to the date when the New Convertible Bonds are converted in full.

Conversion Price

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

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

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

Conditions precedent

Completion of the Subscription Agreement is conditional upon:

- (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) all necessary consents and approvals required to be obtained on the part of Chinese Success in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the Listing Committee granting listing of and permission to deal in the New Convertible Bonds Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the New Convertible Bonds;
- (v) none of the warranties given by 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 Chinese Success 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), (iv) and (v) above as soon as practicable and in any event on or before the Long Stop Date. Chinese Success shall use its best endeavours to procure the fulfillment of the conditions precedent set out in conditions (iii) and (vi) above as soon as practicable and in any event on or before the Long Stop Date.

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

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

Completion

Completion of the Subscription Agreement shall take place at or before 4:00 p.m. on the second Business Day (or such other date as agreed by the Company and Chinese Success) after fulfillment of all the conditions precedent set out above, which is expected to be 28 February 2023.

Reasons for the Subscription

The subscription amount payable by Chinese Success under the Subscription Agreement shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan and the Other Loan, payable by the Company to Chinese Success and/or its associates which is expected to amount to HK\$14,000,000 as at the Completion Date. Mr. Lam Ching Kui had been financing the operations of the Group through the provision of the Shareholder's Loan and the Other Loan to the Group. The Board considers that the Shareholder's Loan which bear interest at 6.25% per annum together with the Other Loan which is also owed to the controlling shareholder (including its ultimate beneficial owner, Mr. Lam Ching Kui), represents a heavy financial burden to the Group as the Company has net current liabilities of approximately HK\$25.5 million as at 30 June 2022.

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

In view of the above, the Director (excluding the independent non-executive Directors who will form an opinion after taking into account the recommendation of the Independent Financial Adviser) is of the view that the terms of Subscription Agreement are on normal commercial terms and the issue of the New Convertible Bonds are 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.

PROPOSED ALTERATIONS TO THE TERMS OF THE EXISTING CONVERTIBLE BONDS

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

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

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

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

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

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

The Alteration of Terms is conditional upon the following conditions:

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

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

If the outstanding Existing Convertible Bonds are fully converted at the Existing Convertible Bonds Conversion Price of HK\$0.025 each, a maximum of 3,520,000,000 Existing Convertible Bonds Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding Existing Convertible Bonds in full, which represents:

- (i) approximately 209.4% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 67.7% of the issued share capital of the Company as to be enlarged by the issue of the 3,520,000,000 Existing Convertible Bonds Conversion Shares (assuming there being no other issue or repurchase of Shares); and
- (iii) approximately 61.1% of the issued share capital of the Company as to be enlarged by the issue of the 3,520,000,000 Existing Convertible Bonds Conversion Shares and the issue of the 560,000,000 New Convertible Bonds Conversion Shares assuming that there is no other change to the total number of Shares from the date of this announcement to the date when the Existing Convertible Bonds are converted in full (except for the allotment and issue of the New Convertible Bonds Conversion Shares).

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

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

REASONS FOR THE ALTERATION OF TERMS

Since the existing conversion prices of the Existing Convertible Bonds is much higher than the prevailing market price of the Shares, the Alteration of Terms, including the amendment to the Existing Convertible Bonds Conversion Price will serve as an incentive for the Existing Bondholders to exercise the conversion rights attached to the Existing Convertible Bonds to convert the Existing Convertible Bonds into the Existing Convertible Bonds Conversion Shares, and the Existing Convertible Bondholders have provided an undertaking to convert part of the Existing Convertible Bonds into the Existing Convertible Bonds Conversion Shares representing in aggregate 10% of the total number of issued Shares as at the date of this announcement thereby alleviating the financial pressure on the Company for redemption of all of the Existing Convertible Bonds at the maturity date. With the further redemption discount of up to 5% at the maturity of the Existing Convertible Bonds, the financial pressure on the Company for redemption of the Existing Convertible Bonds at the maturity date would also be further lessened and the reduction of Interest Rate would alleviate the interest burden of the Company. Furthermore, as the Company has net current liabilities of approximately HK\$25.5 million as at 30 June 2022, the conversion of the Existing Convertible Bonds into Shares will improve the gearing ratio of the Company which could facilitate the Company in obtaining alternative source of finance to improve the financial position of the Company.

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

The Director (excluding the independent non-executive Directors who will form an opinion after taking into account the recommendation of the Independent Financial Adviser) is of the view that the Alteration of Terms are fair and reasonable and are in the interests of the Shareholders as a whole.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the full conversion of the outstanding Existing Convertible Bonds at the Existing Convertible Bonds Conversion Price (assuming there being no other issue or repurchase of Shares); and (iii) immediately after the full conversion of the outstanding Existing Convertible Bonds at the Existing Convertible Bonds Conversion Price (assuming there being no other issue or repurchase of Shares) and the full conversion of the New Convertible Bonds is as follows:

Name of Shareholder	As at the date of this announcement		Immediately after full exercise of the Existing Convertible Bonds (note 3)		Immediately after full exercise of the Existing Convertible Bonds and the New Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
	Chinese Success (note 1)	811,502,432	48.28	1,651,502,432	31.75	2,211,502,432
Lam Ching Kui (note 2)	28,004,000	1.67	2,708,004,000	52.07	2,708,004,000	47.01
	839,506,432	49.95	4,359,506,432	83.82	4,919,506,432	85.40
Public Shareholders (note 4)	841,258,105	50.05	841,258,105	16.18	841,258,105	14.60
Total	1,680,764,537	100.00	5,200,764,537	100.00	5,760,764,537	100.00

Notes:

- (1) Chinese Success is a company owned as to 100% by Wai Chun Investment Fund, which is wholly-owned by Mr. Lam Ching Kui, Chinese Success Limited holds 811,502,432 Shares.
- (2) Mr. Lam Ching Kui, the ultimate controlling shareholder, directly holds 28,004,000 Shares.
- (3) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (4) Pursuant to the terms and conditions of the Existing Convertible Bonds 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.

EQUITY FUND-RAISING EXERCISES OF THE COMPANY IN THE PAST TWELVE MONTHS

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

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

INFORMATION ABOUT THE GROUP

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

LISTING RULES IMPLICATIONS

Chinese Success is a controlling Shareholder interested in an aggregate of 811,502,432 Shares, representing in aggregate approximately 48.28% of the total number of issued Shares. Chinese Success is indirectly wholly-owned by Mr. Lam Ching Kui, who is interested in 28,004,000 Shares personally, representing in aggregate approximately 1.67% of the total number of issued Shares. Therefore, Chinese Success is a connected person of the Company, and the Subscription and the Alteration of Terms constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save for the issue of the Existing Convertible Bonds 2 as disclosed in the announcement of the Company dated on 22 October 2021, the Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealings in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it granted any bonus securities, warrants or other convertible securities within such 12-month period as part of such rights issue, open offer or specific mandate placing. Based on the terms of the Subscription and the Alteration of Terms and assuming that the maximum number of Existing Convertible Bonds Conversion Shares and New Convertible Bonds Conversion Shares is issued, the Subscription and the Alteration of Terms, on their own or when aggregated with the issue of the Existing Convertible Bonds 2, will not result in theoretical dilution effects of 25% or more and thus complies with the requirement under Rule 7.27B of the Listing Rules.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. Accordingly, the Company will apply to the Stock Exchange for approval of the Alteration of Terms.

The grant of the Existing Convertible Bonds Specific Mandate for the issue and allotment of the Existing Convertible Bonds Conversion Shares will also be subject to approval at the EGM.

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

GENERAL

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Subscription Agreement, the Alteration Consent Letter and the transactions contemplated thereunder respectively, including the issue of the New Convertible Bonds and the alteration to the terms of the Existing Convertible Bonds. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement including the terms of the New Convertible Bonds and the alteration to the terms of the Existing Convertible Bonds, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An EGM will be convened and held to consider and, if thought fit, approve (i) the Subscription and (ii) the Alteration of Terms. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Chinese Success and its associates (including Mr. Lam Ching Kui) are required to abstain from voting on the resolutions in respect of the Subscription and the Alteration of Terms at the EGM. To the best of the information, belief and knowledge of the Directors, save for Chinese Success and its associates (including Mr. Lam Ching Kui), no other Shareholder has any material interest in the Subscription and the Alteration of Terms. None of the Directors has material interest in the Subscription and the Alteration of Terms and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement, the Alteration Consent Letters and the transactions contemplated thereunder respectively.

A circular containing, *inter alia*, (i) further information of the Subscription and the Alteration of Terms; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to (a) the Subscription Agreement and issue of the New Convertible Bonds; and (b) Alteration of Terms; (iii) the letter of advice from the Independent Financial Adviser; (iv) details of the New Convertible Bonds and the Alteration of Terms; and (v) notice of the EGM, is expected to be despatched to the Shareholders on or before 20 January 2023.

Completion of the Subscription Agreement is subject to the fulfillment and/or waiver (as the case may be) of the conditions precedent set out in the Subscription Agreement and therefore may or may not proceed. If any of the conditions precedent to the Alteration of Terms are not satisfied, the Alteration of Terms will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Alteration Consent Letters”	the letters entered into between the Existing Convertible Bondholders and the Company dated 22 December 2022 in relation to the Alteration of Terms
“Alteration of Terms”	the proposed alteration of the terms of the Existing Convertible Bonds set out in the paragraph headed “Proposed alterations to the terms of the Existing Convertible Bonds” in this announcement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Chinese Success”	Chinese Success Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Lam Ching Kui, being the controlling shareholder of the Company
“Company”	Wai Chun Bio-Technology Limited, a company incorporated in the Cayman Islands, whose issued Shares are listed on the main board of the Stock Exchange
“Completion Date”	the date of closing, being the day falling on the second business day (or such other day as agreed by the Company and Chinese Success) after fulfillment of all the conditions precedent set out in the Subscription Agreement which is expected to be 28 February 2023
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the New Convertible Bonds Conversion Price or the Existing Convertible Bonds Conversion Price, as the case may be
“Conversion Share(s)”	the Existing Convertible Bonds Conversion Share(s) or the New Convertible Bonds Conversion Share(s), as the case may be
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription and the issue of the New Convertible Bonds (including the grant of the New Convertible Bonds Specific Mandate) and the Alteration of Terms (including the grant of the Existing Convertible Bonds Specific Mandate)
“Existing Bondholders”	Existing Convertible Bondholder 1 and Existing Convertible Bondholder 2 collectively
“Existing Convertible Bondholder 1”	Mr. Lam Ching Kui, being holders of the Existing Convertible Bonds 1
“Existing Convertible Bondholder 2”	Chinese Success, being holder of the Existing Convertible Bonds 2
“Existing Convertible Bonds”	Existing Convertible Bonds 1 and Existing Convertible Bonds 2 collectively
“Existing Convertible Bonds 1”	the 2% coupon convertible bonds with principal amount of HK\$67,000,000 issued by the Company on 27 November 2020
“Existing Convertible Bonds 2”	the 2% coupon convertible bonds with principal amount of HK\$21,000,000 issued by the Company on 18 January 2022
“Existing Convertible Bonds Conversion Price”	the proposed new conversion price of HK\$0.025 per Conversion Share under the Alteration of Terms, subject to adjustment under the terms and conditions of the Existing Convertible Bonds

“Existing Convertible Bonds Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attached to the Existing Convertible Bonds
“Existing Convertible Bonds Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the Existing Convertible Bonds Conversion Shares to be proposed for approval as an ordinary resolution of the Independent Shareholders at the EGM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the Alteration of Terms and the transactions contemplated respectively thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of to the Subscription Agreement and the Alteration of Terms and the transactions contemplated respectively thereunder
“Independent Shareholder(s)”	in respect of the Subscription Agreement, Shareholder(s) other than Chinese Success and its associates not required under the Listing Rules to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder at the EGM; and in respect of the Alteration of Terms, Shareholders other than the Existing Bondholders and their respective associates not required under the Listing Rules to abstain from voting on the resolution(s) approving the Alteration of Terms at the EGM
“Interest Rate”	the interest rate of the Existing Convertible Bonds
“Last Trading Day”	22 December 2022, being the date of this announcement

“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2023 or such other date as may be agreed by the Company and Chinese Success
“New Convertible Bonds”	convertible bonds in an aggregate principal amount of HK\$14,000,000 to be issued by the Company, and subscribed by Chinese Success, pursuant to the Subscription Agreement
“New Convertible Bonds Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the New Convertible Bonds by Chinese Success
“New Convertible Bonds Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the New Convertible Bonds Conversion Shares to be proposed for approval as an ordinary resolution of the Independent Shareholders at the EGM
“Other Loan”	liabilities due by the Company to its controlling Shareholder (including its ultimate beneficial owner, Mr. Lam Ching Kui) for their assumption or payment of debts, liabilities, office rents and other expenses on behalf of the Group, which is expected to amount to HK\$12,500,000 as at Completion Date, bearing interest at the rate of 6.25% per annum
“Share(s)”	the ordinary share(s) of par value of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	shareholder’s loan due by the Company to Wai Chun Investment Fund (being the holding company of Chinese Success) which is expected to amount to HK\$1,500,000 as at Completion Date, bearing interest at the rate of 6.25% per annum
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of the New Convertible Bonds by Chinese Success pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 22 December 2022 entered between the Company and Chinese Success in relation to the Subscription
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“%”	per cent.

By order of the board of
Wai Chun Bio-Technology Limited
Chan Cheuk Ho
Executive Director

Hong Kong, 22 December 2022

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Chan Cheuk Ho, and two independent non-executive Directors, namely Ms. Hong Ting and Mr. Wan Bo.