
LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

Executive Director:

Mr. Lam Ching Kui

(Chairman and Chief Executive Officer)

Independent Non-executive Directors:

Dr. Wang Wei

Mr. Wan Bo

Registered office:

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2 Church Street

Hamilton HM11

Bermuda

Head Office and Principal Place of

Business in Hong Kong:

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Wanchai

Hong Kong

20 October 2023

To the Shareholders

Dear Sir or Madam,

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

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

* For identification purpose only

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

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

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

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

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

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

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

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

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

Maturity date: 31 August 2025

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

Issuer: The Company

Existing Bondholder A: Mr. Lam Ching Kui

Issue price: 100% of the principal amount

Principal amount: HK\$23,480,000

Conversion price: HK\$0.048 per Conversion Share (subject to adjustments), or HK\$0.384 per Conversion Share (subject to adjustments) upon the Share Consolidation becoming effective

Interest rate: 1% per annum

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Redemption at maturity:	98% of the principal amount of the Existing Second Convertible Bonds
Conversion period:	The period commencing from the issue date of the Existing Second Convertible Bonds up to 4:00 p.m. on the day immediately prior to and exclusive of the maturity date of the Existing Second Convertible Bonds
Conversion rights and restrictions:	The holder of the Existing Second Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Existing Second Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Existing Second Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Existing Second Convertible Bonds may be converted; (ii) the exercise of the conversion right attaching to the Existing Second Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules
Maturity date:	31 August 2025

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

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

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

None of the above conditions can be waived. If any of the conditions above are not fulfilled by the Long Stop Date, the parties to the Alteration Consent Letters (as amended by Supplementary Letters) will not proceed with the Alteration of Terms.

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

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The Supplementary Letters

On 13 October 2023, the Company and the Existing Bondholder A entered into the Supplementary Letters pursuant to which the parties agreed to extend the long stop date of the Alteration Consent Letters to 30 November 2023 (or such other date as may be agreed by the Company and the Existing Bondholder A). Save for the above changes, all other terms and the conditions of the Alteration Consent Letters shall remain unchanged and in full force and effect.

Adjustments to the Conversion Price of the Existing Convertible Bonds

Immediately upon the Share Consolidation becoming effective, the following adjustments will be made to the Conversion Price of the Existing Convertible Bonds and the number of Consolidated Ordinary Shares to be issued upon exercise of the Conversion Rights attaching to the Existing First Convertible Bonds and the Existing Second Convertible Bonds as follows:

Date of Issue	Immediately before the Share Consolidation becoming effective		Immediately after the Share Consolidation becoming effective	
	Number of Existing Ordinary Shares to be issued upon exercise of the Conversion Rights	Conversion Price per Existing Ordinary Share	Number of Consolidated Ordinary Shares to be issued upon exercise of the Conversion Rights	Conversion Price per Consolidated Ordinary Share
31 August 2020	3,166,666,666	0.048	395,833,333	0.384
30 November 2020	489,166,666	0.048	61,145,833	0.384
18 January 2022	889,583,333	0.048	111,197,916	0.384

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

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

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

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

According to the existing terms of the Existing Convertible Bonds, a bondholder shall have the right to convert the Existing Convertible Bonds into Shares provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with Listing Rules. According to the existing terms of the Existing First Convertible Bonds, any conversion shall also be subject to no mandatory general offer being triggered under Rule 26 of the Takeovers Code on the bondholder; and not resulting in the Existing Bondholder A and any parties acting in concert with him (including the Existing Bondholder B) ceasing to be the controlling shareholder of the Company within the meaning of the Listing Rules.

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

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

OTHER FUND-RAISING METHODS

The Board has considered other fund-raising methods including debt financing and equity financing before entering into the Alteration Consent Letters (as amended by the Supplementary Letters). External debt financing such as bank loan would give additional financial pressure to the Group and would further weaken the cash flow and financial position of the Group. In addition, the Group has difficulties in obtaining external debt financing from providers such as financial institutions due to the weak financial performance and net current liabilities position of the Group. It is expected that the cost of external debt financing would be higher and the terms of the external debt financing might require a higher interest rate, pledge of assets or financial guarantee.

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The Board has considered but not decided to conduct equity placement to independent third parties that might require a higher discount on the placing price and would bring immediate dilution effect on the shareholding of the Company. Additional financial burden to the Group would arise as equity placement would incur placing commission to the placing agent and other professional expenses. The placing agent might have difficulties to seek potential places due to the weak financial performance and net current liabilities position of the Group, and the low trading volume of the Shares. Besides, conducting equity financing by way of right issue or open offer might require a higher discount on the issue price, a lengthier process and a higher cost to professional parties for such fund-raising exercise, and would cause immediate dilution to the Shareholders who do not participate in the right issue or open offer as compared to the Alteration of Terms which does not bring any immediate dilution effect on the shareholding of the Company.

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

REASONS FOR THE ALTERATION OF TERMS

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

After considering the above factors, the Board (excluding the Existing Bondholder A who had abstained from voting) considers that the Alteration of Terms is fair and reasonable and the Alteration of Terms is in the interests of the Company and the Shareholders as a whole. No proceeds will be received by the Company as a result of the Alteration of Terms.

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SHAREHOLDING STRUCTURE

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

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

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

Notes:

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

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B. Assuming Share Consolidation becoming effective

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Share Consolidation becoming effective; (iii) immediately after Share Consolidation becoming effective and full exercise of the Existing First Convertible Bonds and the Existing Second Convertible Bonds only (assuming there being no other issue or repurchase of Shares); (iv) immediately after Share Consolidation becoming effective and full exercise of all the outstanding Existing Convertible Bonds (assuming there being no other issue or repurchase of Shares) are as follows:

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

Notes:

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

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

In the past twelve months immediately preceding the Latest Practicable Date, the Company did not conduct any equity fund-raising activities.

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INFORMATION ABOUT THE GROUP

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

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate). INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LISTING RULES IMPLICATIONS

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

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

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

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

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

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PROPOSED SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

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

Effects of the Share Consolidation

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

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

Immediately upon the Share Consolidation becoming effective and assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the effective date of the Share Consolidation, the authorised share capital of the Company shall remain at HK\$1,000,000,000, comprising:

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

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (a) the passing by the Shareholders of an ordinary resolution to approve the Share Consolidation at the SGM;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Ordinary Shares upon the Share Consolidation becoming effective; and
- (c) the compliance with the relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Consolidation.

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

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

Status of the Consolidated Ordinary Shares

Upon the Share Consolidation becoming effective, the Consolidated Ordinary Shares shall rank pari passu in all respects with each other in the same class (and the Consolidated Preference Shares will rank pari passu in all respects with each other in that class) in accordance with the Bye-laws. The Share Consolidation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class. Other than the expenses to be incurred in relation to the Share Consolidation (including without limitation professional fees and printing fees), the implementation thereof will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the holders of shares of the same class, save for any fractional Consolidated Ordinary Shares which may arise.

Application for listing of the Consolidated Ordinary Shares

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Ordinary Shares to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Ordinary Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Share Consolidation being effective, the Consolidated Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Ordinary Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Ordinary Shares to be admitted into CCASS established and operated by HKSCC.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Proposed Change in Board Lot Size

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

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

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is expected to be on Wednesday, 15 November 2023, the Shareholders may, during a period between Wednesday, 15 November 2023 and Thursday, 21 December 2023 (both days inclusive), submit existing share certificates for the Existing Ordinary Shares, which is in light yellow colour, to the Hong Kong Branch Share Registrar, to exchange, at the expense of the Company, for new share certificates for the Consolidated Ordinary Shares, which will be in blue colour. It is expected that new share certificates for the Consolidated Ordinary Shares will be available for collection 10 Business Days from the date of submission for the exchange. Thereafter, the existing share certificates for the Existing Ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be from time to time be specified by the Stock Exchange) for each new share certificate for the Consolidated Ordinary Shares to be issued or each existing share certificate for the Existing Ordinary Shares cancelled, whichever the number of certificates issued or cancelled is higher.

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

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Ordinary Shares arising from the Share Consolidation, the Company has appointed Union Registrars Limited as an agent to provide matching service, on a best effort basis regarding the sale and purchase of odd lots of the Consolidated Ordinary Shares from 9:00 a.m. on Wednesday, 29 November 2023 to 4:00 p.m. on Tuesday, 19 December 2023 (both days inclusive). Shareholders who wish to acquire odd lots of the Consolidated Ordinary Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Ordinary Shares, may contact Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong or at telephone number (852) 2849 3399 during office hours (i.e. 9:00 a.m. to 4:00 p.m. within such period).

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

LETTER FROM THE BOARD

Fractional Consolidated Ordinary Shares

Fractional Consolidated Ordinary Shares (if any) arising from the Share Consolidation will not be issued to the Shareholders otherwise entitled thereto but will be aggregated and sold if possible, for the benefit of the Company.

Reasons for the Share Consolidation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

For the past six months, the share price of the Company has been trading at or below HK\$0.067, and the closing price of the Existing Ordinary Shares on the Last Trading Day was HK\$0.035. The value of each existing board lot has been less than HK\$2,000. Based on the closing price of HK\$0.035 per Existing Ordinary Share as at the Last Trading Day and the existing board lot size of 20,000 Existing Ordinary Shares, the Board proposes to implement the Share Consolidation which will increase the nominal value of the shares of the Company and would bring about a corresponding upward adjustment in the expected value per board lot. Based on the closing price of HK\$0.035 per Existing Ordinary Share (equivalent to HK\$0.28 per Consolidated Ordinary Share) as at the Last Trading Day, the expected market value of each existing board lot of 20,000 Consolidated Ordinary Shares would be HK\$5,600 assuming the Share Consolidation had become effective, which will enable the Company to comply with the trading requirements under the Listing Rules. When considering the Share Consolidation, the Board has taken into account the business plan of the Company for the next 12 months, the ratio of the Share Consolidation was determined for the purpose of meeting the requirement under Rule 13.64A of the Listing Rules. The Board considers that the proposed Share Consolidation and Change in Board Lot Size, resulting in a theoretical price of HK\$0.28 per Consolidated Share and HK\$2,800 per board lot of 10,000 Consolidated Ordinary Shares (based on the closing price of HK\$0.035 per Existing Ordinary Share as at the Last Trading Day), which would maintain the trading amount for each board lot at a reasonable level and will enhance the corporate image of the Company so as to make investing in the Shares more attractive to a broader range of institutional and professional investors and thus help to further broaden the shareholder base of the Company. Accordingly, the Directors are of the view that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole. The Board believes that the Share Consolidation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Company and its subsidiaries nor result in change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and save for the Alteration of Terms, the Company does not have any other concrete plan or arrangement to conduct any other fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to meet its operational needs or support future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

SPECIAL GENERAL MEETING

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

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

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

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

PROXY ARRANGEMENT

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

LETTER FROM THE BOARD

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 November 2023 to Monday, 13 November 2023 (both days inclusive), during which period no share transfers will be effected. The Shareholders whose names appear on the register of members of the Company on Monday, 13 November 2023 are entitled to attend and vote in respect of the resolutions to be proposed at the SGM. In order to qualify for attending and voting at the Meeting (or any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates(s) must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Monday, 6 November 2023.

RECOMMENDATION

The Independent Board Committee, having considered the advice from IFA, considers that (i) the Alteration of Terms is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) to be proposed at the SGM.

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

The Board considers the Alteration of Terms is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions in respect of the Alteration of Terms and the transactions contemplated thereunder (including the grant of the Specific Mandate) to be proposed at the SGM.

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

ADDITIONAL INFORMATION

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



By Order of the Board

Wai Chun Group Holding Limited
Lam Ching Kui

Chairman and Chief Executive Officer