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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Innovative Pharmaceutical Biotech Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 399)

CONNECTED TRANSACTIONS —

**(i) ISSUE OF NEW CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;**

**(ii) AMENDMENT TO THE TERMS AND
CONDITIONS OF THE EXISTING CONVERTIBLE BONDS;
AND**

(iii) NOTICE OF SPECIAL GENERAL MEETING

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

VINCO  榮高

Vinco Financial Limited

A notice convening the special general meeting (the “SGM”) of the Company to be held at 3 p.m. on Friday, 24 May 2024 at The Function Room 1-2, 2/F The Harbourview, 4 Harbour Road, Wanchai, Hong Kong is set out on pages 121 to 124 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you are able to attend and vote at the SGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than Wednesday, 22 May 2024 at 3 p.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

9 May 2024

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DEFINITIONS

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

“Amendment Long Stop Date”	30 May 2024 (or such other date as the Company and the Existing CB Bondholders may agree)
“Announcements”	collectively, the 2014 Announcements, the 2019 Announcements, the 2021 Announcements and the announcement of the Company dated 28 April 2023
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Company”	Innovative Pharmaceutical Biotech Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 399)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Dr. Mao”	Dr. Mao Yu Min

DEFINITIONS

“Dr. Mao 2023 October Bonds”	the Existing Convertible Bonds in the principal amount of HK\$236,800,000 held by Dr. Mao due 24 October 2023
“Dr. Mao 2023 December Bonds”	the Existing Convertible Bonds in the principal amount of HK\$11,200,000 held by Dr. Mao due 26 December 2023
“Existing CB Amendment”	the proposed amendment to the terms and conditions of the Relevant Existing Convertible Bonds as contemplated under the Existing CB Deed of Amendment
“Existing CB Bondholders”	collectively, Dr. Mao, JNJ and United Gene, and each an “Existing CB Bondholder”
“Existing CB Deed of Amendment”	the deed of amendment dated 15 August 2023 (as amended and supplemented by the Existing CB Supplemental Deed and the extension letter dated 29 December 2023) entered into between the Company and the Existing CB Bondholders in relation to the Existing CB Amendment
“Existing CB Deed of Waiver”	the deed of waiver dated 15 August 2023 entered into between the Company, Dr. Mao and United Gene in relation to the Existing CB Waiver
“Existing CB Outstanding Principal Payment”	collectively, the principal amount of the Dr. Mao 2023 October Bonds, the Dr. Mao 2023 December Bonds, and the United Gene 2023 December Bonds, representing Relevant Existing Convertible Bonds in the aggregate principal amount of HK\$256,000,000, which unless extended, HK\$236,800,000 became due on 24 October 2023, HK\$19,200,000 and became due on 26 December 2023
“Existing CB Supplemental Deed”	the supplemental deed of amendment dated 22 December 2023 entered into between the Company and the Existing CB Bondholders to amend and supplement certain terms of the Existing CB Deed of Amendment

DEFINITIONS

“Existing CB Waiver”	the waiver granted by Dr. Mao and United Gene in respect of the obligation of the Company to pay the Existing CB Outstanding Principal Payment as contemplated under the Existing CB Deed of Waiver
“Existing Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$744,000,000 issued by the Company to the Vendors on 25 October 2013, 27 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively, as at the Latest Practicable Date, convertible bonds in the aggregate principal amount of HK\$256,000,000 held by the Existing CB Bondholders remain outstanding
“Extrawell CB Conversion Shares”	new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Extrawell Convertible Bonds at the conversion price of HK\$2.5 per Conversion Share (subject to adjustments in accordance with the terms and conditions of the Extrawell Convertible Bonds)
“Extrawell Convertible Bonds”	the convertible bonds (as amended by the deeds of amendment dated 26 July 2019, 12 May 2021 and 28 April 2023) in the aggregate principal amount of HK\$715,000,000 issued by the Company to Extrawell Pharmaceutical Holdings Limited on 28 July 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the New CB Subscription, Existing CB Amendment and Existing CB Waiver

DEFINITIONS

“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New CB Subscription, Existing CB Amendment and Existing CB Waiver
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the New CB Subscription, Existing CB Amendment and Existing CB Waiver
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company, and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“JNJ”	JNJ Investments Limited, a company incorporated in the BVI with limited liability
“Latest Practicable Date”	6 May 2024, being the latest practicable date for ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New CB Bondholder(s)”	any person(s) whose name a New Convertible Bond is registered in the register of bondholders of the New Convertible Bonds from time to time
“New CB Conversion Price”	the conversion price per New CB Conversion Share (subject to adjustments) of HK\$0.211

DEFINITIONS

“New CB Conversion Rights”	the rights of the New CB Bondholder(s) to convert the principal amount outstanding under the New Convertible Bonds
“New CB Conversion Share(s)”	263,033,175 Share(s) to be allotted and issued upon exercise of the New CB Conversion Rights
“New CB Long Stop Date”	30 May 2024, or such other date as may be agreed by the Company and Dr. Mao in writing
“New CB Maturity Date”	the tenth anniversary of the date of issue of the New Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date, being the maturity date of the New Convertible Bonds
“New CB Subscription”	the subscription of the New Convertible Bonds pursuant to the terms and conditions of the New CB Subscription Agreement
“New CB Subscription Agreement”	the conditional subscription agreement dated 27 July 2023 (as amended and supplemented by the extension letters dated 30 October 2023, 30 November 2023, 29 December 2023, 29 February 2024 and 28 March 2024) entered into between the Company and Dr. Mao in relation to the New CB Subscription
“New CB Subscription Completion”	completion of the New CB Subscription in accordance with the terms and conditions of the New CB Subscription Agreement
“New Convertible Bonds”	the 0% coupon convertible bonds due on the New CB Maturity Date in the principal amount of HK\$55,500,000 to be issued by the Company to Dr. Mao

DEFINITIONS

“Placing”	the conditional placing of up to 114,000,000 shares at the placing price of HK\$0.175 per placing shares under general mandate conducted by the Company pursuant to the placing agreement dated 28 March 2024 with estimated net proceeds of HK\$18,204,000 intended for general working capital use of the Group, which was lapsed on 18 April 2024. For details, please refer to the announcements of the Company dated 28 March 2024 and 19 April 2024
“Relevant Existing CB Bondholders”	collectively, Dr. Mao and United Gene, and each a “Relevant Existing CB Bondholder”
“Relevant Existing CB Conversion Price”	HK\$0.202 per Existing CB Conversion Share, subject to adjustments in accordance with the terms and conditions of the Relevant Existing Convertible Bonds
“Relevant Existing CB Conversion Shares”	new Shares to be issued and allotted by the Company upon the exercise of the conversion rights attaching to the Existing Convertible Bonds at the Existing CB Conversion Price
“Relevant Existing CB Maturity Date”	the maturity date of the Relevant Existing Convertible Bonds
“Relevant Existing Convertible Bonds”	collectively, the Dr. Mao 2023 October Bonds, the Dr. Mao 2023 December Bonds and the United Gene 2023 December Bonds
“Review Period”	the period from 27 July 2022 up to and including the date of signing of the Existing CB Supplemental Deed
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 April 2013 and entered into between the Company, as the purchaser, and the Vendors, as the vendors, in relation to the Transactions
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened on Friday, 24 May 2024 for the purpose of considering, and if thought fit, approving the New CB Subscription, the Existing CB Amendment, the Existing CB Waiver, and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Share Subscription”	the conditional subscription of 292,830,000 Shares by Zenyth Capital Limited pursuant to the subscription agreement dated 26 July 2023 (as amended and supplemented by the extension letter dated 22 August 2023) with estimated net proceeds of approximately HK\$58,000,000 intended for general working capital use of the Group, which was subsequently terminated by the deed of termination dated 4 September 2023. For details, please refer to the announcements of the Company dated 26 July 2023, 22 August 2023 and 4 September 2023
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loans granted by Dr. Mao to the Company in the aggregate principal amount of HK\$55,500,000
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong

DEFINITIONS

“Transactions”	the acquisition of (i) an aggregate of 450,000,000 shares of Extrawell Pharmaceutical Holdings Limited; and (ii) convertible bonds in the aggregate principle amount of HK\$577,170,000 to be issued by Extrawell Pharmaceutical Holdings Limited, at the maximum aggregate consideration of HK\$864,000,000
“United Gene”	United Gene International Holdings Group Limited, a company incorporated in Hong Kong with limited liability
“United Gene 2023 December Bonds”	the Existing Convertible Bonds in the principal amount of HK\$8,000,000 held by United Gene due 26 December 2023
“Vendors”	collectively, Dr. Mao and JNJ
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED
領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 399)

Executive Directors:

Mr. Gao Yuan Xing
Mr. Tang Rong
Mr. Cheng Tak Yiu

Non-executive Directors:

Ms. Jiang Nian (*Chairman*)
Ms. Wu Yanmin
Ms. Xiao Yan

Independent non-executive Directors:

Ms. Chen Weijun
Mr. Wang Rongliang
Mr. Chen Jinzhong

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

***Head office and principal place
of business:***

Unit 2002, 20th floor
On Hong Commercial Building
145 Hennessy Road
Wan Chai, Hong Kong

9 May 2024

To the Shareholders

Dear Sir or Madam

CONNECTED TRANSACTIONS —
(i) ISSUE OF NEW CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
(ii) AMENDMENT TO THE TERMS AND
CONDITIONS OF THE EXISTING CONVERTIBLE BONDS;
AND
(iii) NOTICE OF SPECIAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 27 July 2023 in relation to the entering into of the New CB Subscription Agreement by the Company and Dr. Mao, pursuant to which the Company has conditionally agreed to issue, and Dr. Mao has conditionally agreed to subscribe for, the New Convertible Bonds in the principal amount of HK\$55,500,000. The subscription price in the amount of HK\$55,500,000 payable by Dr. Mao under the New CB Subscription Agreement shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding principal amount payable by the Company to Dr. Mao under the Shareholder's Loan in the amount of HK\$55,500,000. The New CB Subscription is subject to the Independent Shareholders' approval and the New CB Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Further references are made to the announcements of the Company dated 15 May 2013, 20 November 2013, 31 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015, and the circular of the Company dated 27 September 2013 in relation to the Transactions. On 27 April 2013, the Company and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, (i) an aggregate of 450,000,000 shares of Extrawell Pharmaceutical Holdings Limited; and (ii) convertible bonds in the aggregate principal amount of HK\$577,170,000 to be issued by Extrawell Pharmaceutical Holdings Limited, at the maximum aggregate consideration of HK\$864,000,000 (collectively, the "**Transactions**"). Completion of the Transactions took place in stages on 25 October 2013, 31 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively. The Company issued the Existing Convertible Bonds in the aggregate principal amount of HK\$744,000,000 in batches to the Vendors as part of the consideration of the Transactions on 25 October 2013, 27 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively. The Existing Convertible Bonds were issued at nil interest and the original maturity date falls on the tenth anniversary of the date of issue.

On 15 August 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Deed of Amendment pursuant to which the Company and the Existing CB Bondholders have conditionally agreed to amend certain terms and conditions of the Existing Convertible Bonds to the effect that the Existing CB Maturity Date shall be extended from the tenth anniversary of the date of issue to the twentieth anniversary of the date of issue of the Existing Convertible Bonds.

LETTER FROM THE BOARD

On 15 August 2023 (after trading hours of the Stock Exchange), the Company, Dr. Mao and United Gene entered into the Existing CB Deed of Waiver pursuant to which each of Dr. Mao and United Gene granted to the Company a waiver in respect of the obligation of the Company to pay the Existing CB Outstanding Principal Payment on 24 October 2023 and 26 December 2023 (as the case may be).

On 22 December 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Supplemental Deed to amend and supplement certain terms of the Existing CB Deed of Amendment to the effect that (i) the conversion price of the Relevant Existing Convertible Bonds be changed from HK\$0.40 to HK\$0.202; and (ii) the maturity date of the then outstanding Existing Convertible Bonds, in the principal amount of HK\$103,600,000 shall not be extended.

As at the Latest Practicable Date, Relevant Existing Convertible Bonds in the aggregate principal amount of HK\$256,000,000 held by Dr. Mao and United Gene remain outstanding.

The Existing CB Amendment and Existing CB Waiver are subject to the approval of the Independent Shareholders at the SGM and the Relevant Existing CB Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandate for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares, and as to whether the New CB Subscription, the Existing CB Amendment, Existing CB Waiver are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details of the New CB Subscription Agreement, Existing CB Deed of Amendment, Existing CB Deed of Waiver and the transactions contemplated respectively thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the New CB Subscription Agreement, Existing CB Deed of Amendment, Existing CB Deed of Waiver and the transactions contemplated respectively thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in

LETTER FROM THE BOARD

relation to the New CB Subscription Agreement, Existing CB Deed of Amendment, Existing CB Deed of Waiver and the transactions contemplated respectively thereunder; and (iv) a notice convening the SGM.

ISSUE OF NEW CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 27 July 2023 (after trading hours of the Stock Exchange), the Company and Dr. Mao entered into the New CB Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and Dr. Mao has conditionally agreed to subscribe for, the New Convertible Bonds in the principal amount of HK\$55,500,000.

Subscription Agreement

The principal terms of the New CB Subscription Agreement are set out below:

Date: 27 July 2023 (as amended and supplemented by the extension letters dated 30 October 2023, 30 November 2023, 29 December 2023, 29 February 2024 and 28 March 2024)

Parties: (i) the Company, as the issuer; and
(ii) Dr. Mao, as the subscriber

Subscription

The Company has conditionally agreed to issue, and Dr. Mao has conditionally agreed to subscribe for, the New Convertible Bonds in the principal amount of HK\$55,500,000.

Conditions Precedent

The obligations of the Company and Dr. Mao to effect the New CB Completion shall be conditional upon:

(i) all necessary consents and approvals required to be obtained on the part of the Company in respect of the New CB Subscription Agreement and the transactions contemplated thereunder have been obtained;

LETTER FROM THE BOARD

- (ii) all necessary consents and approvals required to be obtained on the part of Dr. Mao in respect of the New CB Subscription Agreement and the transactions contemplated thereunder have been obtained;
- (iii) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the New CB Conversion Shares to be allotted and issued upon exercise of the New CB conversion rights attached to the New Convertible Bonds, and such approval remains valid and effective;
- (iv) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the SGM of the necessary resolution(s) to approve the New CB Subscription Agreement and the transactions contemplated thereunder;
- (v) none of the warranties given by the Company under the New CB Subscription Agreement 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 Dr. Mao under the New CB Subscription Agreement 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 conditions set out in (i), (ii), (iii) and (iv) above are incapable of being waived. Dr. Mao may at any time by notice in writing to the Company waive condition (v) above. The Company may at any time by notice in writing to Dr. Mao to waive condition (vi). If any of the conditions precedent above are not fulfilled (or waived, as the case may be) on or before the New CB Long Stop Date, the New CB 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 New CB Subscription Agreement save in respect of any antecedent breach of any obligation thereof.

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

LETTER FROM THE BOARD

New CB Subscription Agreement

The principal terms of the New Convertible Bonds to be issued under the New CB Subscription Agreement are set out as follows:

Issuer:	The Company
Subscriber:	Dr. Mao
Principal amount:	HK\$55,500,000
Issue price:	100% of the principal amount of the New Convertible Bonds.
Interest:	The New Convertible Bonds shall bear an interest from (and including) the date of issue at the rate of 0% per annum on the outstanding principal amount of the Convertible Bonds.
New CB Maturity Date:	The tenth anniversary of the date of issue of the New Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date

LETTER FROM THE BOARD

Conversion right and limitation:

The holder(s) 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 CB Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; (ii) the exercise of the New CB Conversion Rights 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) the conversion of such portion of the principal amount of the New Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of The Hong Kong Code on Takeovers and Mergers on the part of the New CB Bondholder(s) which exercised the New CB Conversion Rights and parties acting in concert with it.

Conversion price:

The initial New CB Conversion Price for the New Convertible Bonds shall be equal to HK\$0.211 per New CB Conversion Share, subject to adjustments as hereafter described

LETTER FROM THE BOARD

Conversion shares:

Based on the principal amount of the New Convertible Bonds of HK\$55,500,000, the New Convertible Bonds are convertible into 263,033,175 New CB Conversion Shares at the initial New CB Conversion Price of HK\$0.211 per New CB Conversion Share (subject to adjustments) PROVIDED ALWAYS that the maximum number of New CB Conversion Shares issuable upon conversion of the New Convertible Bonds shall be subject to the threshold of (i) 263,033,175 Shares (or such other number of Shares under an afresh approval as the Listing Committee of the Stock Exchange may be granted as to the listing thereof, and permission to deal therein, upon further application to be made on the part of the Company in the event of any adjustment of New CB Conversion Price) (the “**Listing Approval Threshold**”); or (ii) such number of Shares which may be permissible to be issued under the Specific Mandate (the “**New CB Specific Mandate Threshold**”), whichever is lower. If there is any event occurred (including but not limited to the dilutive events as stated in the terms and conditions of the New Convertible Bonds) which leads to the number of New CB Conversion Shares issuable under the New Convertible Bonds to exceed the Listing Approval Threshold or the Specific Mandate Threshold (whichever is lower), then the New CB Bondholder(s) shall be entitled to convert the New Convertible Bonds into such number of New CB Conversion Shares subject to the Listing Approval Threshold or the New CB Specific Mandate Threshold (as appropriate) based on the adjusted New CB Conversion Price and any outstanding remaining principal amount of the New Convertible Bonds shall be redeemed by the Company on the New CB Maturity Date in cash in accordance with the terms of the New Convertible Bonds.

LETTER FROM THE BOARD

Based on the initial New CB Conversion Price of HK\$0.211 per New CB Conversion Share, a maximum number of 263,033,175 New CB Conversion Shares will be allotted and issued upon exercise of the New CB Conversion Rights attaching to the New Convertible Bonds in full, which represent: (i) approximately 15.27% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.24% of the issued share capital of the Company as enlarged by the allotment and issue of the New CB Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the date of this circular and up to conversion of the New Convertible Bonds in full at the initial New CB Conversion Price).

The maximum aggregate nominal value of the New CB Conversion Shares is HK\$2,630,331.75.

Conversion period:

The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the New CB Maturity Date

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\$500,000 by the holder(s) of the New Convertible Bonds to any party, save and except that the New Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company.

LETTER FROM THE BOARD

Adjustment events:

The New CB Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events:

- (a) an alteration to the nominal amount of the Shares by way of consolidation, sub-division, or reclassification, where the New CB Conversion Price shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation, sub-division or re-classification becomes effective;
- (b) an issue (other than in lieu of cash dividend and other than issue that would amount to capital distribution) of 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = 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;

LETTER FROM THE BOARD

- (c) a capital distribution (in cash or specie and whether on a reduction of capital or otherwise) to the Shareholders or grant to the Shareholders rights to acquire for cash assets of the Group, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such distribution or grant 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) 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 Adviser, of the portion of the capital distribution or of such rights 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 Adviser is not required.

LETTER FROM THE BOARD

Provided that:

- (aa) if in the opinion of the Independent Adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it 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 sub-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.

LETTER FROM THE BOARD

For the purpose of this sub-paragraph (c), “Market Price” shall mean the average of the closing prices of one Share on the Stock Exchange for each of the last five (5) Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained; and “Independent Adviser” shall mean (i) an independent financial adviser which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, or (ii) the auditors for the time being of the Company or, if there shall be joint auditors, any one or more of such auditors or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the New Convertible Bonds instrument, such other firm of accountants of international repute as may be nominated by the Company;

- (d) an offer of Shares to the Shareholders for conversion by way of rights, or grant, to Shareholders of any options or warrants to subscribe for 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

LETTER FROM THE BOARD

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = 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

C = the 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 New CB Bondholders (subject to such exclusions or other arrangements as the directors of the Company 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 they had exercised the New CB Conversion Rights under the New Convertible Bonds registered in their holders of the New Convertible Bonds out of the total principal amount of the New Convertible Bonds outstanding at the time of the proposed redemption;

LETTER FROM THE BOARD

- (e) (aa) an issue of securities wholly for cash or for reduction of liabilities or for acquisition of asset which by their terms are convertible into or exchangeable for or carry rights of conversion for Shares, and the total effective consideration per Share 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of the issue

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = 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 on the date of the issue;

LETTER FROM THE BOARD

(bb) modification of the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e), so that the total effective consideration per Share 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such modification

B = 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

C = 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.

LETTER FROM THE BOARD

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 an adjustment of the New CB Conversion Price provided that corresponding adjustment has already been made to the New CB Conversion Price in respect of such an event.

For the purpose 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 or the aggregate consideration deemed to be paid for such securities 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 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;

LETTER FROM THE BOARD

- (f) an issue of any Shares wholly for cash or for reduction of liabilities 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A= the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue; and

LETTER FROM THE BOARD

- (g) an issue of any Shares for the acquisition of asset at a total effective consideration per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue., where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

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

For the purpose of this sub-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.

LETTER FROM THE BOARD

Ranking of New CB Conversion Shares:	The New CB 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.
Early redemption at the option of the Company:	The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the New Convertible Bonds, propose to the holder(s) to redeem the outstanding New Convertible Bonds (in multiples of HK\$500,000 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 seven (7) days immediately before the maturity date of the New Convertible Bonds.
Voting rights:	The holder(s) of the New Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
Security:	The obligations of the Company under the New Convertible Bonds are unsecured.
Listing:	Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New CB Conversion Shares. No application will be made for a listing of the New Convertible Bonds on the Stock Exchange or any other stock exchange.

LETTER FROM THE BOARD

New CB Conversion Shares

Assuming full conversion of the New Convertible Bonds at the New CB Conversion Price of HK\$0.211 per New CB Conversion Share (subject to adjustments), a maximum number of 263,033,175 New CB Conversion Shares will be allotted and issued, representing approximately 15.27% of the issued share capital of the Company as at the Latest Practicable Date and approximately 13.24% of the issued share capital of the Company as enlarged by the allotment and issue of the New CB Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to conversion of the New Convertible Bonds in full at the initial New CB Conversion Price).

The New CB Conversion Shares will be issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

New CB Conversion Price

The initial New CB Conversion Price of HK\$0.211 per New CB Conversion Share represents:

- (i) the closing price of HK\$0.211 per Share as quoted on the Stock Exchange on the date of the New CB Subscription Agreement;
- (ii) a premium of approximately 4.66% over the average closing price of approximately HK\$0.202 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the New CB Subscription Agreement;
- (iii) a premium of approximately 5.08% over the average closing price of approximately HK\$0.201 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the New CB Subscription Agreement;
- (iv) a premium of approximately 0.48% over the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 157.32% over the Company's net asset value per Share of approximately HK\$0.082, calculated based on the audited consolidated net assets of the Company of HK\$140,562,000 as at 31 March 2023 and 1,723,193,024 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The initial New CB Conversion Price was arrived at after arm's length negotiations between the Company and Dr. Mao taking into account (i) the existing capital market conditions in Hong Kong; and (ii) the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the New CB Subscription Agreement.

AMENDMENT TO THE TERMS AND CONDITIONS OF THE RELEVANT EXISTING CONVERTIBLE BONDS

References are made to the announcements of the Company dated 15 May 2013, 20 November 2013, 31 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015, and the circular of the Company dated 27 September 2013 in relation to the Transactions. On 27 April 2013, the Company and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, (i) an aggregate of 450,000,000 shares of Extrawell Pharmaceutical Holdings Limited; and (ii) convertible bonds in the aggregate principal amount of HK\$577,170,000 to be issued by Extrawell Pharmaceutical Holdings Limited, at the maximum aggregate consideration of HK\$864,000,000 (collectively, the “**Transactions**”). Completion of the Transactions took place in stages on 25 October 2013, 31 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively. The Company issued the Existing Convertible Bonds in the aggregate principal amount of HK\$744,000,000 in batches to the Vendors as part of the consideration of the Transactions on 25 October 2013, 27 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively. The Existing Convertible Bonds were issued at nil interest and the original maturity date falls on the tenth anniversary of the date of issue.

On 15 August 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Deed of Amendment pursuant to which the Company and the Existing CB Bondholders have conditionally agreed to amend certain terms and conditions of the Existing Convertible Bonds.

As the Existing CB Deed of Amendment and the Deed of Waiver shall lapse on 31 December 2023, the Company and the Existing CB Bondholders commenced the negotiation over the extension of the long stop date in early December 2023. During the course of the negotiation, the Existing CB Bondholders requested that unless the Company agreed (a) to adjust the conversion price of the Relevant Existing Convertible Bonds from HK\$0.40 to HK\$0.202; and (b) that no extension be granted to the maturity date of the then outstanding Existing Convertible Bonds in the principal amount of HK\$103,600,000 by way of a supplemental deed, the Existing CB Bondholders would not agree to any extension of the long stop date. In the event that the Existing CB Deed of Amendment and the Deed of Waiver lapsed due to the expiry of the long stop date, the Dr. Mao 2023 October Bonds, the Dr. Mao 2023 December Bonds and the United Gene 2023

LETTER FROM THE BOARD

December 2023 shall mature on 24 October 2023, 26 December 2023 and 26 December 2023, respectively, and the Company shall redeem the Relevant Existing Convertible Bonds at 100% of the principal amount, being the Existing CB Outstanding Principal Payment in the aggregate amount of HK\$256,000,000, failing which the Existing CB Bondholders shall be entitled to take steps to enforce or make demand for the Existing CB Outstanding Principal Payment. As such, the Company agreed to enter into a supplemental deed to effect the Existing CB Bondholders' requests as aforementioned. On 22 December 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Supplemental Deed to amend and supplement certain terms of the Existing CB Deed of Amendment to the effect that (i) the conversion price of the Relevant Existing Convertible Bonds be changed from HK\$0.40 to HK\$0.202; and (ii) the maturity date of the then outstanding Existing Convertible Bonds in the principal amount of HK\$103,600,000 shall not be extended.

To lower the total amount of debts of the Company, the relevant Existing Bondholders had agreed to convert the Existing Convertible Bonds in the principal amount of HK\$42,000,000 due 29 April 2025, the Existing Convertible Bonds in the principal amount of HK\$39,600,000 due 30 December 2024, the Existing Convertible Bonds in the principal amount of HK\$22,000,000 due 29 April 2025, into Share on 29 December 2023, 5 January 2024 and 10 January 2024 respectively.

As at the Latest Practicable Date, Relevant Existing Convertible Bonds in the aggregate principal amount of HK\$256,000,000 held by Dr. Mao and United Gene remain outstanding.

The relevant Existing Bondholders had converted the Existing Convertible Bonds in the aggregate principal amount of HK\$103,600,000 in December 2023 and January 2024, despite the fact that the conversion price was equivalent to a premium of approximately 82.65%, 90.48% and 92.31% over the closing price of HK\$0.219, HK\$0.21 and HK\$0.208 per Share as quoted on the Stock Exchange on the business day immediately preceding the respective date of conversion.

The Relevant Existing CB Conversion Price represents (i) a premium of approximately 12.2% over HK\$0.180, being the lowest closing price of the Shares during the Review Period; (ii) a discount of approximately 43.1% to HK\$0.355, being the highest closing price during the Review Period; and (iii) a discount of approximately 3.6% to HK\$0.209, being the average of the closing prices during the Review Period. Out of the 349 trading days during the Review Period, the Shares were traded higher than the Relevant Existing CB Conversion Price for 166 trading days. Given that Relevant Existing CB Conversion Price (i) is close to the average of the closing prices during the Review Period; and (ii) represents premium over the closing price on the lasting trading date prior to the signing of the Existing CB Supplemental Deed and the average closing price for the last five consecutive trading days immediately prior to the date of signing of the Existing CB Supplemental Deed.

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Based on the above the Board considers that the terms of Existing CB Supplemental Deed are fair and reasonable and in the interest of the Company and its Shareholders.

Details of the principal terms of the Existing CB Deed of Amendment are set out below:

Existing CB Deed of Amendment

- Date: 15 August 2023 (after trading hours of the Stock Exchange) (as amended and supplemented by the Existing CB Supplemental Deed dated 22 December 2023 and the extension letter dated 29 December 2023)
- Parties:
- (1) the Company, as the issuer;
 - (2) Dr. Mao, as an Existing CB Bondholder;
 - (3) JNJ, as an Existing CB Bondholder; and
 - (4) United Gene, as an Existing CB Bondholder

Principal terms of the Existing CB Amendment

The Company and the Existing CB Bondholders have conditionally agreed to amend the terms of the Relevant Existing Convertible Bonds to the effect that: (1) the Relevant Existing CB Maturity Date shall be extended from the tenth anniversary of the date of issue to the twentieth anniversary of the date of issue and (2) the conversion price of the Relevant Existing Convertible Bonds shall be amended from HK\$0.40 to HK\$0.202.

Save for the Existing CB Amendment, the terms and conditions of the Relevant Existing Convertible Bonds remain intact and unchanged.

An application will be made by the Company to the Stock Exchange for the approval of the Existing CB Amendment pursuant to Rule 28.05 of the Listing Rules.

Conditions precedent

The Existing CB Amendment shall be conditional upon and subject to:

- (a) the approval having been obtained from the Stock Exchange in respect of the Existing CB Amendment;

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- (b) all necessary consents and approvals required to be obtained on the part of the Company and the Existing CB Bondholders in respect of the Existing CB Amendment having been obtained and remained in full force and effect;
- (c) the passing of the necessary resolution(s) by the shareholders of each of the Company and the Existing CB Bondholders at a special general meeting of each of the Company and the Existing CB Bondholders to be convened and held to approve the Existing CB Deed of Amendment and the transactions contemplated thereunder; and
- (d) (if necessary) the Existing CB Bondholders having passed a written resolution of the bondholders meeting to approve the Existing CB Deed of Amendment and the transactions contemplated thereunder.

The Existing CB Amendment shall take effect on the next Business Day when all the conditions above are fulfilled. None of the above conditions can be waived. If any of the above conditions is not fulfilled on or before the Amendment Long Stop Date, the Existing CB Deed of Amendment shall automatically lapse and be of no further effect and the Company and the Existing CB Bondholders shall be released from all obligations thereunder.

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

The Deed of Waiver

On 15 August 2023 (after trading hours of the Stock Exchange), the Company, Dr. Mao and United Gene entered into the Existing CB Deed of Waiver pursuant to which, among others, each of Dr. Mao and United Gene granted to the Company a waiver in respect of the obligation of the Company to (i) redeem the Dr. Mao 2023 October Bonds, the Dr. Mao 2023 December Bonds and the United Gene 2023 December Bonds on their respective original Maturity Date at 100% of the principal amount, being the Existing CB Outstanding Principal Payment; and (ii) not to take any steps to enforce or make demand for the Existing CB Outstanding Principal Payment.

Pursuant to the Existing CB Deed of Waiver, if any of the conditions precedent under the Existing CB Deed of Amendment has not been fulfilled on the Amendment Long Stop Date, the Existing CB Deed of Amendment shall automatically lapse and be of no further effect and the Company and the Existing CB Bondholders shall be released from all obligations thereunder. In such circumstances, the Company, Dr. Mao and United Gene agree that the Company shall within 30 Business Days from the Amendment Long Stop Date pay to Dr. Mao and United Gene the Existing CB Outstanding Principal Payment.

LETTER FROM THE BOARD

TERMS OF THE RELEVANT EXISTING CONVERTIBLE BONDS

Subject to the fulfillment of the conditions precedent to the Existing CB Amendment, the principal terms of the Relevant Existing Convertible Bonds (as amended by the Existing CB Deed of Amendment) will be as follows:

Principal amount: An aggregate principal amount of up to HK\$256,000,000

Relevant Existing CB Maturity Date: Twentieth (20th) anniversary of the date of issue

Interest rate: Nil

Relevant Existing CB Conversion Price: The Relevant Existing CB Conversion Price is HK\$0.202 per Relevant Existing CB Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Existing Convertible Bonds.

The Relevant Existing CB Conversion Price of HK\$0.202 per Relevant Existing CB Conversion Share represents:

- (i) a premium of approximately 1.00% over the closing price of HK\$0.20 per Share as quoted on the Stock Exchange on the last trading date prior to the signing of the Existing CB Supplemental Deed;
- (ii) a premium of approximately 0.30% over the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Existing CB Supplemental Deed; and

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(iii) a discount of approximately 3.81% over the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a premium of approximately 146.34% over the Company's net asset value per Share of approximately HK\$0.082, calculated based on the audited consolidated net assets of the Company of HK\$140,562,000 as at 31 March 2023 and 1,723,193,024 Shares in issue as at the Latest Practicable Date.

Adjustment events:

The Relevant Existing CB Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:-

(i) consolidation or sub-division of Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to the consolidation or sub-division by the following fraction:

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

where:

A = the revised nominal amount;

B = the former nominal amount; and

C = the number of Shares offered for subscription or comprised in the options or warrants.

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

- (ii) capitalisation of profits, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

B = the aggregate nominal amount of the Shares issued in such capitalization.

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

- (iii) capital distribution, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to such distribution or grant by the following fraction:

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

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where:

A = the Market Price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date 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 an approved merchant bank or the auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share;

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

Provided that (1) if in the opinion of the relevant approved merchant bank or auditors of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it 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 (2) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend;

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- (iv) issue of Shares by way of rights, options and warrants, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to the date of the announcement of the terms of the 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 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 to become 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 Relevant Existing CB 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 recognized regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the Existing Convertible Bonds in full on the day immediately preceding the record date for such offer or grant;

LETTER FROM THE BOARD

- (v) issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price 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 retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price;

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- (vi) modification of rights of conversion or exchange or subscription attaching to any such securities, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB 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 capitalization issues and other events normally giving rise to adjustment of conversion or exchange terms.

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For the purpose of sub-paragraphs (iv) and (v), 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 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;

- (vii) issue of Shares wholly for cash at more than 20% discount to the market price of such Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately before the date of the announcement of the terms of such issue 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; and

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(viii) issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately before the date of announcement of the terms of such issue by a fraction of which the numerator shall be the total Effective Consideration per Shares and the denominator shall be such market price.

Such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which the Company determines the issue price for such Shares.

For the purpose of this sub-paragraph (viii), “**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.

Relevant Existing CB Conversion
Shares:

Based on the initial Relevant Existing CB Conversion Price of HK\$0.202, a maximum number of 1,267,326,732 Relevant Existing CB Conversion Shares will be allotted and issued upon exercised in full of the conversion rights attaching to the Existing Convertible Bonds, which represent:

(i) approximately 73.55% of the total issued share capital of the Company as at the Latest Practicable Date; and

LETTER FROM THE BOARD

- (ii) approximately 42.38% of the total issued share capital of the Company as enlarged by the allotment and issue of the Relevant Existing CB Conversion Shares upon exercise in full of the conversion rights attaching to Relevant Existing Convertible Bonds.

The Relevant Existing CB Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Conversion restrictions:

Upon exercise of the conversion rights attaching to the Relevant Existing Convertible Bonds,

- (i) the holders of Relevant Existing Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
- (ii) the public float of the Company will comply with the relevant requirements under the Listing Rules.

Conversion period:

The period commencing from the date of issue of the Relevant Existing Convertible Bonds and ending on the day which falls on the Relevant Existing CB Maturity Date.

Early redemption:

The Company shall not be entitled to redeem all or part of the outstanding Relevant Existing Convertible Bonds prior to the Relevant Existing CB Maturity Date.

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The Company or any of its subsidiaries may at any time and from time to time purchase the Relevant Existing Convertible Bonds at any price as agreed between the Company or such subsidiary and the relevant holder of the Relevant Existing Convertible Bonds.

Furthermore, according to the instrument constituting the Relevant Existing Convertible Bonds, the holders of the Relevant Existing Convertible Bonds do not have the right to early redemption of all or part of the outstanding Relevant Existing Convertible Bonds prior to the Relevant Existing CB Maturity Date.

Ranking:

The Relevant Existing CB Conversion Shares shall rank pari passu in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Relevant Existing CB Conversion Shares shall include rights to participate in all dividends and other distributions.

Transferability:

Any transfer of the Relevant Existing Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$400,000) of the principal amount of the Relevant Existing Convertible Bonds.

Furthermore, according to the instrument constituting the Relevant Existing Convertible Bonds, the Relevant Existing Convertible Bonds must not be transferred to any person, firm or company which is a connected person (as defined in the Listing Rules) of the Company except in compliance with the applicable requirements under the Listing Rules and the Takeovers Code.

LETTER FROM THE BOARD

Application for listing:	No application will be made by the Company to the Stock Exchange for listing of the Relevant Existing Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Relevant Existing CB Conversion Shares.
Notice of conversion by other bondholders:	The Company may, upon request by the holders of the Relevant Existing Convertible Bonds in writing, notify the holders of the Relevant Existing Convertible Bonds about the conversion of the convertible bonds of the Company by other bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the shareholding of the Company (i) as at the Latest Practicable Date; (ii) immediately after full conversion of the New Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the New CB Conversion Shares); (iii) immediately after full conversion of the New Convertible Bonds and the Relevant Existing Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the New CB Conversion Shares and Relevant Existing CB Conversion Shares):

	As at the Latest Practicable Date		Immediately after full conversion of the New Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the New CB Conversion Shares)		Immediately after full conversion of the New Convertible Bonds and Existing Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the New CB Conversion Shares and Relevant Existing CB Conversion Shares) (Note 3)	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
<i>Director</i> Mr. Tang Rong	396,200	0.02	396,200	0.02	396,200	0.01

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after full conversion of the New Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the New CB Conversion Shares)		Immediately after full conversion of the New Convertible Bonds and Existing Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the New CB Conversion Shares and Relevant Existing CB Conversion Shares) (Note 3)	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
<i>Substantial Shareholders</i>						
Dr. Mao	427,200,000	24.79	690,233,175	34.75	1,917,955,947	58.95
China United Gene Investment Holdings Limited (Note 1)	7,770,810	0.45	7,770,810	0.39	7,770,810	0.24
JNJ	55,000,000	3.19	55,000,000	2.77	55,000,000	1.69
Mr. Chau Yiu Ting	428,600,000	24.87	428,600,000	21.58	428,600,000	13.17
<i>Bondholder</i>						
United Gene	—	—	—	—	39,603,960	1.22
<i>Public Shareholders</i>						
	804,226,014	46.68	804,226,014	40.49	804,226,014	24.72
Total	1,723,193,024	100	1,986,226,199	100	3,253,552,931	100

Notes:

- China United Gene Investment Holdings Limited is owned as to 60.0% by Best Champion Holdings Limited. Best Champion Holdings Limited is owned as to 33.5%, 33.5% and 33.0% by United Gene Holdings Limited, Ease Gold Investments Limited and Victory Trend Limited, respectively. United Gene Holdings Limited is wholly owned by Dr. Mao. Ease Gold Investments Limited is wholly owned by Dr. Xie Yi. Victory Trend Limited is wholly owned by Good Links Limited, which is in turn owned as to 50% by Dr. Mao and as to 50% by Dr. Xie Yi.
- Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- For illustration purposes only as the holders of the New Convertible Bonds and the Existing Convertible Bonds are subject to the conversion restriction of not triggering a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the New Convertible Bonds and the Relevant Existing Convertible Bonds (as the case may be) and the public float of the Company complying with the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the Share Subscription and the Placing, the Company has not carried out any equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

INFORMATION OF THE PARTIES TO THE NEW CB SUBSCRIPTION AGREEMENT AND EXISTING CB DEED OF AMENDMENT

The Company

The Company is an investment holding company. The Group is principally engaged in the trading of beauty equipment and products and research, development and commercialisation of the oral insulin product.

Dr. Mao

As at the Latest Practicable Date, Dr. Mao is the substantial Shareholder of the Company holding (through himself and his controlled corporation) 489,970,810 Shares, representing approximately 28.43% of the total issued share capital of the Company. Accordingly, Dr. Mao is a connected person of the Company under the Listing Rules.

JNJ

JNJ is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, JNJ is ultimately and beneficially owned as to 33% by Dr. Mao. Accordingly, JNJ is a connected person of the Company under the Listing Rules.

United Gene

United Gene is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, United Gene is ultimately and beneficially owned as to 33% by Dr. Mao. Accordingly, United Gene is a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

REASONS AND BENEFITS OF THE NEW CB SUBSCRIPTION, EXISTING CB AMENDMENT AND EXISTING CB WAIVER

New CB Subscription

The subscription price in the amount of HK\$55,500,000 payable by Dr. Mao under the New CB Subscription Agreement shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount payable by the Company to Dr. Mao under the Shareholder's Loans in the amount of HK\$55,500,000.

The details of the Shareholder's Loans are set out as follows:

Date of agreement	Principal amount of loan (HK\$) (million)	Term of loan
25 September 2019	7	1 year
7 December 2020	3	1 year
13 January 2021	5	1 year
26 March 2021	5	1 year
10 May 2021	5	1 year
25 June 2021	5	1 year
21 October 2021	5	1 year
9 February 2022	5	1 year
25 July 2022	2	1 year
19 August 2022	1.5	6 months
7 October 2022	1.5	6 months
27 October 2022	1.6	6 months
1 December 2022	1.5	3 months
19 December 2022	1.5	3 months
7 March 2023	1.4	1 month
5 April 2023	1	3 months
18 May 2023	1	3 months
30 May 2023	2	3 months

Dr. Mao had been supporting and financing the operations of the Group through the provision of the Shareholder's Loans to the Group. The Shareholder's Loans represented loans granted by Dr. Mao to the Company in the aggregate principal amount of HK\$55,500,000 pursuant to nineteen separate loan agreements entered into between Dr. Mao and the Company during the period between 25 September 2019 to 19 June 2023. The Shareholder's Loans were unsecured loans at nil interest, granted on term ranging from three months to one year, of which the entire aggregate

LETTER FROM THE BOARD

principal amount of HK\$55,500,000 has been overdue as at the Latest Practicable Date. In view of the above, the Board and Dr. Mao have reviewed and explored different approaches to settle the Shareholder's Loans, as further explained below, and considered the issue of the New Convertible Bonds to be the most viable option as the principal amount of the Shareholder's Loans 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 the issue of the New Convertible Bonds would not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors (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 the New CB Subscription Agreement are on normal commercial terms and the issue of the New Convertible Bonds are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. As none of the Directors has any material interest in the New CB Subscription, they are not required to abstain from voting on the Board resolutions for approving the New CB Subscription Agreement and the transactions contemplated thereunder.

Existing CB Amendment and Existing CB Waiver

Pursuant to the terms and conditions of the original Relevant Existing Convertible Bonds instrument, the principle payment of the outstanding Relevant Existing Convertible Bonds in the amount of HK\$236,800,000 and HK\$19,200,000, unless extended, became due on 24 October 2023 and 26 December 2023 respectively. Based on the audited consolidated financial statement of the Group for the year ended 31 March 2023, the Group recorded net current liabilities of approximately HK\$1,137,161,000. The Existing CB Amendment and Existing CB Waiver would ease the immediate financial burden of the Group.

Each of Dr. Mao, JNJ and United Gene has not indicated absence of intention to exercise or provided any undertaking not to exercise the conversion rights attached to the Existing Convertible Bonds. However, despite the potential dilution impact of the Existing CB Amendment upon conversions, the Board considered the terms of the Existing CB Amendment to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account its existing financial resources available to satisfy the outstanding amount due and payable under the Existing Convertible Bonds, the imminent need of the Company to resolve its liquidity and funding concerns without incurring any additional finance cost or worsening its net current liabilities position.

The terms of the Existing CB Amendment and Existing CB Waiver were arrived at after arm's length negotiations between the Company and the Existing CB Bondholders. The Board is of the view that the Existing CB Amendment and Existing CB Waiver would bring benefits to the Group,

LETTER FROM THE BOARD

which includes providing greater flexibility to the Company's working capital management and the alleviation of the immediate funding needs of the Company to redeem the outstanding principal amount of the Existing Convertible Bonds at no additional interest cost.

In view of the above, the Board considered that the terms of the Existing CB Amendment and Existing CB Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As none of the Directors has any material interest in the Existing CB Amendment and the Existing CB Waiver, they are not required to abstain from voting on the Board resolutions for approving the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder.

In assessing different approaches to settle the Shareholders' Loans and the Existing CB Outstanding Principal Payment, the Company has explored various methods, including utilising the Group's internal resources and other alternative fundraising methods. In view of the relatively low bank balances and cash level of the Company of approximately HK\$1.3 million as at 31 March 2023, of which is significantly lower than both the outstanding Shareholders' Loans and the Existing CB Outstanding Principal Payment, the Company considered that the existing cash and bank balance shall be utilised for the Group's business operations, and settlement via internal resources was not feasible and viable.

Alternatively, the Company has considered other fundraising methods, including both equity and debt financing methods. Having considered the recent market conditions and standard market practice where equity financing activities such as rights issue, shares subscriptions and placings, are typically conducted at a discounted price to the market price of the Shares, the Company may not be able to identify investors who is willing to invest in the Company at market price or at a premium, and hence, would be detrimental to the interests of the existing Shareholders, whereas the issue of the New Convertible Bonds would not have an immediate dilution effect on the shareholding of the existing Shareholders.

In terms of debt financing methods, the Company has explored debt financing from bank or other financial institutions and is of the view that debt financing is not viable and appropriate, particularly, having considered the recent market conditions of which interest rates have been increasing, as a result, the costs of obtaining debt financing including interest expenses have increased significantly, which would create further financial burden to the Company. In comparison, the New Convertible Bonds and Existing Convertible Bonds will be issued and extended at nil interest rate respectively, as such providing financial reliefs to the Company at no additional cost and hence, are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

New CB Subscription

As at the Latest Practicable Date, Dr. Mao is the substantial shareholder of the Company holding (through himself and his controlled corporation) 489,970,810 Shares, representing approximately 28.43% of the total issued share capital of the Company. Accordingly, the New CB Subscription constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Existing CB Amendment and Existing CB Waiver

As at the Latest Practicable Date, Dr. Mao (through himself and his controlled corporation) is a substantial Shareholder of the Company holding 489,970,810 Shares, representing approximately 28.43% of the total issued share capital of the Company. Further, each of JNJ and United Gene is ultimately and beneficially owned as to 33% by Dr. Mao and hence is a connected person of the Company. Accordingly, the Existing CB Amendment and Existing CB Waiver constitute connected transactions of the Company and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for approval for the Existing CB Amendment contemplated by the Existing CB Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

SGM

A notice convening the SGM to be held at 3 p.m. on Friday, 24 May 2024 at The Function Room 1-2, 2/F The Harbourview, 4 Harbour Road, Wanchai, Hong Kong is set out on pages 121 to 124 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return enclosed proxy form in accordance with the instructions printed thereon to the branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than Wednesday, 22 May 2024 at 3 p.m. (Hong Kong time).

LETTER FROM THE BOARD

Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM, or any adjournment thereof if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the New CB Subscription Agreement, the Existing CB Deed of Amendment, Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandate for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares, and as to whether the New CB Subscription, Existing CB Amendment and Existing CB Waiver are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Each of Dr. Mao and his associates is required to abstain from voting on the resolutions in respect of the New CB Subscription at the SGM, and each of the Existing CB Bondholders and their respective associates is required to abstain from voting on the resolutions in respect of the Existing CB Amendment and Existing CB Waiver at the SGM. To the best of the Directors' information, belief and knowledge, having made all reasonable enquiries, save for the Dr. Mao, the Existing CB Bondholders and their respective associates, no other Shareholders have any material interest in the New CB Subscription, Existing CB Amendment and Existing CB Waiver.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024 (both days inclusive) to determine the eligibility of the Shareholders to attend and vote at the SGM. The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be on Friday, 24 May 2024. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than Monday, 20 May 2024 at 4:30 p.m. (Hong Kong time).

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 54 to 55 of this circular which contains its recommendation to the Independent Shareholders in relation to the New CB Subscription Agreement, the Existing CB Deed of Amendment, the

LETTER FROM THE BOARD

Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, and the letter from Vinco Financial set out on pages 56 to 110 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms of the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandate for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares, are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolutions in relation to the New CB Subscription, Existing CB Amendment and Existing CB Waiver at the SGM.

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

Yours faithfully

For and on behalf of the Board

Innovative Pharmaceutical Biotech Limited

Tang Rong

Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 399)

9 May 2024

To the Independent Shareholders

Dear Sir or Madam

**CONNECTED TRANSACTIONS —
(i) ISSUE OF NEW CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
AND
(ii) AMENDMENT TO THE TERMS AND
CONDITIONS OF THE EXISTING CONVERTIBLE BONDS**

We refer to the circular of the Company dated 9 May 2024 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandate for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the SGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Vinco Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 56 to 110 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of the Independent Financial Adviser, we considered that although the entering into of the New CB Subscription Agreement, the Existing CB Deed of Amendment and the Existing CB Deed of Waiver are not in the ordinary and usual course of business of the Group, the grant of the Specific Mandate for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder.

Yours faithfully
For and behalf of
the Independent Board Committee

Ms. Chen Weijun

Mr. Wang Rongliang
Independent Non-executive Directors

Mr. Chen Jinzhong

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder which has been prepared for the purpose of incorporation in this circular:

VINCO 
Vinco Financial Limited

9 May 2024

*To the Independent Board Committee and the Independent Shareholders of
Innovative Pharmaceutical Biotech Limited*

Dear Sirs,

**CONNECTED TRANSACTIONS — (I) ISSUE OF NEW CONVERTIBLE
BONDS UNDER SPECIFIC MANDATE;
AND
(II) AMENDMENT TO THE TERMS AND
CONDITIONS OF THE EXISTING CONVERTIBLE BONDS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 9 May 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 27 July 2023 in relation to the entering into of the New CB Subscription Agreement by the Company and Dr. Mao, pursuant to which the Company has conditionally agreed to issue, and Dr. Mao has conditionally agreed to subscribe for, the New Convertible Bonds in the principal amount of HK\$55,500,000 (the “**New CB Subscription Price**”). The New CB Subscription Price in the amount of HK\$55,500,000 payable by Dr. Mao under the New CB Subscription Agreement shall be satisfied by way of

LETTER FROM VINCO FINANCIAL

offsetting in full on a dollar-to-dollar basis against the outstanding principal amount payable by the Company to Dr. Mao under the Shareholder's Loan in the amount of HK\$55,500,000. The New CB Subscription is subject to the Independent Shareholders' approval and the New CB Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Reference is also made to the announcement dated 15 August 2023 and 22 December 2023. On 15 August 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Deed of Amendment pursuant to which the Company and the Existing CB Bondholders have conditionally agreed to amend certain terms and conditions of the Existing Convertible Bonds to the effect that the Existing CB Maturity Date shall be extended from the tenth anniversary of the date of issue to the twentieth anniversary of the date of issue of the Existing Convertible Bonds. On 15 August 2023 (after trading hours of the Stock Exchange), the Company, Dr. Mao and United Gene entered into the Existing CB Deed of Waiver pursuant to which each of Dr. Mao and United Gene granted to the Company a waiver in respect of the obligation of the Company to pay the Existing CB Outstanding Principal Payment on 24 October 2023 and 26 December 2023 (as the case may be).

On 22 December 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Supplemental Deed to amend and supplement certain terms of the Existing CB Deed of Amendment to the effect that (i) the conversion price of the Relevant Existing Convertible Bonds be changed from HK\$0.40 to HK\$0.202; and (ii) the maturity date of the then outstanding Existing Convertible Bonds, in the principal amount of HK\$103,600,000 shall not be extended.

As at the Latest Practicable Date, Relevant Existing Convertible Bonds in the aggregate principal amount of HK\$256,000,000 held by Dr. Mao and United Gene remain outstanding.

The Existing CB Amendment and Existing CB Waiver are subject to the approval of the Independent Shareholders at the SGM and the Relevant Existing CB Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

New CB Subscription

As at the Latest Practicable Date, Dr. Mao is the substantial shareholder of the Company holding (through himself and his controlled corporation) 489,970,810 Shares, representing approximately 28.43% of the total issued share capital of the Company. Accordingly, the New CB Subscription constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM VINCO FINANCIAL

Existing CB Amendment and Existing CB Waiver

As at the Latest Practicable Date, Dr. Mao (through himself and his controlled corporation) is a substantial Shareholder of the Company holding 489,970,810 Shares, representing approximately 28.43% of the total issued share capital of the Company. Further, each of JNJ and United Gene is ultimately and beneficially owned as to 33% by Dr. Mao and hence is a connected person of the Company. Accordingly, the Existing CB Amendment and Existing CB Waiver constitute connected transactions of the Company and is subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for approval for the Existing CB Amendment contemplated by the Existing CB Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

Each of Dr. Mao and his associates is required to abstain from voting on the resolutions in respect of the New CB Subscription at the SGM, and each of the Existing CB Bondholders and their respective associates is required to abstain from voting on the resolutions in respect of the Existing CB Amendment and the Existing CB Waiver at the SGM. To the best of the Directors' information, belief and knowledge, having made all reasonable enquiries, save for the Dr. Mao, the Existing CB Bondholders and their respective associates, no other Shareholders have any material interest in the New CB Subscription, Existing CB Amendment and the Existing CB Waiver. None of the Directors has material interest in the New CB Subscription, Existing CB Amendment and the Existing CB Waiver and is required to abstain from voting on the resolutions in respect of the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Chen Weijun, Mr. Wang Rongliang and Mr. Chen Jinzhong, has been established to advise the Independent Shareholders regarding the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandates for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares, and so as to whether the New CB Subscription, the Existing CB Amendment and the Existing CB Waiver are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM, after taking into account the recommendations of the Independent Financial Adviser. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the New CB Subscription Agreement, the Existing CB Deed of

LETTER FROM VINCO FINANCIAL

Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the SGM to approve the New CB Subscription, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated thereunder so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the New CB Subscription, the Existing CB Amendment and the Existing CB Waiver of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief,

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opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transaction contemplated respectively thereunder since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the New CB Subscription Agreement, and the Existing CB Deed of Amendment and the Existing CB Deed of Waiver.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report 2023**”); (ii) the interim report of the Company for the six months ended 30 September 2023 (the “**Interim Report 2023/24**”); (iii) the New CB Subscription Agreement; (iv) the Existing CB Deed of Amendment; (v) the Existing CB Supplemental Deed; (vi) all agreements of the Existing Convertible Bonds; (vii) announcements of the Company dated 28 March 2024 and 19 April 2024; and (viii) other information as set out in the Circular. Based on foregoing, we confirm that we have taken all reasonable steps, which are applicable to the New CB Subscription, Existing CB Amendment and the Existing CB Waiver, as to in Rule 13.80 of the Listing Rules (including the notes thereto).

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This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Waiver and the transaction contemplated respectively thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the New CB Subscription Agreement, the Existing CB Deed of Amendment and the Existing CB Waiver, we have taken into account the following principal factors and reasons:

1. Background information of the Group

Information on the Group

The Company is an investment holding company. The Group is principally engaged in the trading of beauty equipment and products and research, development and commercialisation of the oral insulin product.

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Financial information of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the two financial years ended 31 March 2023 (“FY2023”) and 2022 (“FY2022”) which were extracted from the Annual Report 2023 respectively; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2023 (“1H2023”) and 2022 (“1H2022”) which were extracted from the Interim Report 2023/24 respectively:

	For the six months ended		For the year ended	
	30 September		31 March	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	3,727	4,138	8,075	11,145
Profit/(loss) for the year/period	192,577	(118,272)	(254,671)	36,431
	As at		As at 31 March	
	30 September		2023	
	2023		2023	2022
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)		(audited)	(audited)
Current assets	8,807		9,883	18,950
Current liabilities	(377,972)		(1,147,044)	(99,772)
Total assets	1,382,219		1,384,048	1,394,996
Total liabilities	(1,049,151)		(1,243,486)	(999,730)
Net current liabilities	(369,165)		(1,137,161)	(80,822)
Net assets	333,068		140,562	395,266

FY2023 vs FY2022

The Group recorded revenue in FY2023 in the amount of approximately HK\$8.1 million, representing a decrease of approximately 27.5% as compared to that in FY2022 in the amount of approximately HK\$11.1 million. According to the Annual Report 2023, such decrease was mainly due to the COVID-19 pandemic was affecting the business of the trading of beauty equipment and products segment. The Group recorded a loss for the year in FY2023 in the amount of approximately HK\$254.7 million as compared to a profit for the year in FY2022 in the amount of

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approximately HK\$36.4 million. The change from profit to loss was mainly due to the absence of a gain on modification of convertible bonds of approximately HK\$250.7 million, which was recorded in FY2022.

The Group's total assets and total liabilities as at 31 March 2023 amounted to approximately HK\$1,384.0 million and HK\$1,243.5 million respectively. The Group's net assets amounted to approximately HK\$140.6 million as at 31 March 2023, which decreased of approximately HK\$254.7 million as compared to that of approximately HK\$395.3 million as at 31 March 2022. Such decrease was mainly attributable to the increase in total carrying amount of convertible bonds (including the current and non-current portion) of approximately HK\$233.0 million, from approximately HK\$871.8 million as at 31 March 2022 to approximately HK\$1,104.8 million as at 31 March 2023. It is noted that the increase in total amount of convertible bonds (including the current and non-current portion) was due to the effective interest expenses incurred.

The Group recorded net current liabilities as at 31 March 2023 in the amount of approximately HK\$1,137.2 million as compared to that of approximately HK\$80.8 million as at 31 March 2022. Such change was mainly due to the increase of the carrying amount of convertible bonds (current portion) of approximately HK\$1,036.3 million.

1H2023 vs 1H2022

The Group recorded revenue in 1H2023 in the amount of approximately HK\$3.7 million, representing a decrease of approximately 9.9% as compared to that in 1H2022 in the amount of approximately HK\$4.1 million. According to the Interim Report 2023, such decrease was mainly due to the decrease in business of the trading of beauty equipment and products segment in 1H2023. The Group recorded a profit for the period in 1H2023 in the amount of approximately HK\$192.6 million as compared to a loss for the period in 1H2022 in the amount of approximately HK\$118.3 million. The change from loss to profit was mainly due to a gain on modification of convertible bonds of approximately HK\$330.3 million, which was absent in 1H2022.

The Group's total assets and total liabilities as at 30 September 2023 amounted to approximately HK\$1,382.2 million and HK\$1,049.2 million respectively. The Group's net assets amounted to approximately HK\$333.1 million as at 30 September 2023, which increased of approximately HK\$192.5 million as compared to that of approximately HK\$140.6 million as at 31 March 2023. Such increase was mainly attributable to the profit for the period in 1H2023 as mentioned above.

The Group recorded net current liabilities as at 30 September 2023 in the amount of approximately HK\$369.2 million as compared to that of approximately HK\$1,137.2 million as at 31 March 2023. Such change was mainly due to the extension of convertible bonds to 28 July

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2025 which were subscribed by Extrawell Pharmaceutical Holdings Limited (“**Extrawell**”). Such convertible bonds would not be classified as current liabilities, but non-current liabilities. Please refer to the announcement of the Company dated 28 April 2023 and the Interim Report 2023/24 for further details of the extension.

Prospects and outlook of the Group

As stated in the Annual Report 2023, revenues and profit margins of the Group from the trading segment have been relatively stable in the past and trading volume is the key determiner of the profitability of the segment. Following the anti-epidemic measures were released and the economic activities return to normal. The Group anticipates that the trading business will pick up gradually. The Group will cautiously explore the trading business in Hong Kong and China. The Group will reinforce our risk management policy and will proactive in adopting timely measures to balance its risk and return in the long run. The Group competes by offering trading terms that are more favourable to its suppliers and vendors compared to the Group’s competitors.

2. Reasons and benefits of the New CB Subscription, the Existing CB Amendment and the Existing CB Waiver

2.1 New CB Subscription

As stated in the “Letter from the Board”, the New CB Subscription Price in the amount of HK\$55,500,000 payable by the Subscriber under the New CB Subscription Agreement shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount payable by the Company to the Subscriber under the Shareholder’s Loans in the amount of HK\$55,500,000.

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The details of the Shareholder's Loans are set out as follows:

Date of agreement	Principal amount of loan (HK\$) (million)	Term of loan
25 September 2019	7	1 year
7 December 2020	3	1 year
13 January 2021	5	1 year
26 March 2021	5	1 year
10 May 2021	5	1 year
25 June 2021	5	1 year
21 October 2021	5	1 year
9 February 2022	5	1 year
25 July 2022	2	1 year
19 August 2022	1.5	6 months
7 October 2022	1.5	6 months
27 October 2022	1.6	6 months
1 December 2022	1.5	3 months
19 December 2022	1.5	3 months
7 March 2023	1.4	1 month
5 April 2023	1	3 months
18 May 2023	1	3 months
30 May 2023	2	3 months

Dr. Mao had been supporting and financing the operations of the Group through the provision of the Shareholder's Loans to the Group. As confirmed by the Company, the Shareholder's Loans represented loans granted by Dr. Mao to the Company in the aggregate principal amount of HK\$55,500,000 pursuant to nineteen separate loan agreements entered into between Dr. Mao and the Company during the period between 25 September 2019 to 19 June 2023. The Shareholder's Loans were unsecured loans at nil interest, granted on term ranging from three months to one year, of which the aggregate principal amount of HK\$55,000,000 has been overdue as at the Latest Practicable Date. In view of the above, the Board and Dr. Mao have reviewed and explored different approaches to settle the Shareholder's Loans, as further explained below, and considered the issue of the New Convertible Bonds to be the most viable option as the principal amount of the Shareholder's Loans 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 the issue of the New Convertible Bonds would not have an immediate dilution effect on the shareholding of the existing Shareholders.

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Having considered, among other things, the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares (as discussed below) alongside the recent market sentiment, it may not be favourable to the Company to conduct a fund raising exercise of substantial amount by way of issuing new Shares to Independent Third Party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required.

No net proceeds will be received by the Company from the issue of the New Convertible Bonds. The outstanding principal amount of the Existing Convertible Bonds held by Dr. Mao will be settled through the issuance of the New Convertible Bonds on the date of New CB Subscription Completion. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Convertible Bonds held by Dr. Mao. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base and reduce the short-term liability of the Company, and thus improve the financial position of the Company.

Having considered (i) the Group's financial position as at 31 March 2023; (ii) its ability to obtain debt financing at terms acceptable to the Company; (iii) the impracticable consideration of securing third party financing on the terms that are favourable to the Company to settle the outstanding principal amounts of the Existing Convertible Bonds when they fall due; (iv) Dr. Mao has no intention to exercise the conversion rights attached to the Existing Convertible Bonds Dr. Mao held; and (v) the flexibility to the Company in its future cash management, we concur with the Director's view that the New CB Subscription, although not in the Group's ordinary course of business, is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

2.2 Existing CB Amendment and Existing CB Waiver

Pursuant to the terms and conditions of the original Relevant Existing Convertible Bonds instrument, the principal payment of the outstanding Relevant Existing Convertible Bonds in the amount of HK\$236,800,000 and HK\$19,200,000, unless extended, became due on 24 October 2023 and 26 December 2023 respectively. Based on the audited consolidated financial statement of the Group for the year ended 31 March 2023, the Group recorded net current liabilities of approximately HK\$1,137,161,000. The Existing CB Amendment and Existing CB Waiver would ease the immediate financial burden of the Group.

The terms of the Existing CB Amendment and Existing CB Waiver were arrived at after arm's length negotiations between the Company and the Existing CB Bondholders. The Board is of the view that the Existing CB Amendment and Existing CB Waiver would bring benefits to the Group,

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which includes providing greater flexibility to the Company's working capital management and the alleviation of the immediate funding needs of the Company to redeem the outstanding principal amount of the Existing Convertible Bonds at no additional interest cost.

Each of Dr. Mao, JNJ and United Gene has not indicated absence of intention to exercise or provided any undertaking not to exercise the conversion rights attached to the Existing Convertible Bonds. However, despite the potential dilution impact of the Existing CB Amendment upon conversions, the Board considered the terms of the Existing CB Amendment to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account its existing financial resources available to satisfy the outstanding amount due and payable under the Existing Convertible Bonds, the imminent need of the Company to resolve its liquidity and funding concerns without incurring any additional finance cost or worsening its net current liabilities position.

In view of the above, we concur with the Board's view that the terms of the Existing CB Amendment and Existing CB Waiver are in the interests of the Company and the Shareholders as a whole.

In assessing different approaches to settle the Shareholders' Loans and the Existing CB Outstanding Principal Payment, the Company has explored various methods, including utilising the Group's internal resources and other alternative fundraising methods. In view of the relatively low bank balances and cash level of the Company of approximately HK\$1.3 million as at 31 March 2023, of which is significantly lower than both the outstanding Shareholders' Loans and the Existing CB Outstanding Principal Payment, the Company considered that the existing cash and bank balance shall be utilised for the Group's business operations, and settlement via internal resources was not feasible and viable.

Alternatively, the Company has considered alternative fundraising methods, including both equity and debt financing methods. Having considered the recent market conditions and standard market practice where equity financing activities such as rights issue, shares subscriptions and placings, are typically conducted at a discounted price to the benchmark price of the Shares, the Company may not be able to identify investors who is willing to invest in the Company at market price or at a premium, and hence, would be detrimental to the interests of the existing Shareholders, whereas the issue of the New Convertible Bonds would not have an immediate dilution effect on the shareholding of the existing Shareholders. Having considered that (i) by way of placing of new Shares, rights issue or open offer, the subscription price would have to be set at a deep discount to the prevailing market price of the Shares so as to attract potential investors and/or existing Shareholders; (ii) rights issue or open offer of new Shares is subject to underwriting uncertainty and market risks and may generally incur higher transaction costs (i.e. underwriting and other related fees); and (iii) placing of new Shares, rights issue or open offer

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would have the dilution effect on shareholding of the existing Shareholders, we concur with the Directors' view that the issue of the New Convertible Bonds and extension of Existing Convertible Bonds are preferable as compared to equity financing.

In terms of debt financing methods, the Company has explored debt financing from bank or other financial institutions and is of the view that debt financing is not viable and appropriate, particularly, having considered the recent market conditions of which interest rates have been increasing, as a result, the costs of obtaining debt financing including interest expenses have increased significantly, which would create further financial burden to the Company. With reference to Annual Report 2023, we note that (i) the net loss in FY2023 was approximately HK\$254.7 million; (ii) as at 31 March 2023 the total liabilities mainly comprised of (A) convertible bonds (including current and non-current portion) of approximately HK\$1.1 billion; (B) loans from a substantial shareholder of approximately HK\$51.0 million; and (C) amount due to a former associate of approximately HK\$41.9 million; (iii) the debt ratio (total liabilities/total assets) was approximately 89.8% as at 31 March 2023; and (iv) the Group's net current liability in the past few years. Given the loss position of the Group, the high debt ratio and the Group's net current liability in the past few years, the management of the Company is of the view that it is not feasible to obtain the funding for repayment of the Shareholder Loans. The issue of the Convertible Bonds to be the most viable option as the principal amount of the Shareholder's Loans will be fully settled upon the exercise in full of the conversion rights of the Convertible Bonds without requiring any cash outflow from the Company. As such, we concur with the view of the management of the Company that debt financing from bank or other financial institutions would not be viable and appropriate. In comparison, the New Convertible Bonds and Existing Convertible Bonds will be issued and extended at nil interest rate respectively, as such providing financial reliefs to the Company at no additional cost and we concur with the Directors' view that they are in the interests of the Company and the Shareholders as a whole.

3. Information of the parties to the New CB Subscription Agreement and Existing CB Deed of Amendment

Dr. Mao

As at the Latest Practicable Date, Dr. Mao is the substantial shareholder of the Company holding (through himself and his controlled corporation) 489,970,810 Shares, representing approximately 28.43% of the total issued share capital of the Company. Accordingly, Dr. Mao is a connected person of the Company under the Listing Rules.

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JNJ

JNJ is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, JNJ is ultimately and beneficially owned as to 33% by Dr. Mao. Accordingly, JNJ is a connected person of the Company under the Listing Rules.

United Gene

United Gene is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, United Gene is ultimately and beneficially owned as to 33% by Dr. Mao. Accordingly, United Gene is a connected person of the Company under the Listing Rules.

4. Information of the New CB Subscription

4.1 Details of the New CB Subscription Agreement

According to the Letter from the Board, on 27 July 2023 (after trading hours), the Company and Dr. Mao entered into the New CB Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and Dr. Mao has conditionally agreed to subscribe for, the New Convertible Bonds in the principal amount of HK\$55,500,000. Set out below are the principal terms of the New CB Subscription Agreement:

Date	:	27 July 2023(as amended and supplemented by the extension letters dated 30 October 2023, 30 November 2023, 29 December 2023, 29 February 2024 and 28 March 2024)
Parties	:	(i) the Company, as the issuer, and (ii) Dr. Mao, as the subscriber
Subscription	:	The Company has conditionally agreed to issue, and Dr. Mao has conditionally agreed to subscribe for, the New Convertible Bonds in the principal amount of HK\$55,500,000.

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Conditions precedent

The obligations of the Company and the Subscriber to effect Completion shall be conditional upon:

- (i) all necessary consents and approvals required to be obtained on the part of the Company in respect of the New CB Subscription Agreement and the transactions contemplated thereunder have been obtained;
- (ii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the New CB Subscription Agreement and the transactions contemplated thereunder have been obtained;
- (iii) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the New CB Conversion Shares to be allotted and issued upon exercise of the New CB conversion rights attached to the New Convertible Bonds, and such approval remains valid and effective;
- (iv) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the SGM of the necessary resolution(s) to approve the New CB Subscription Agreement and the transactions contemplated thereunder;
- (v) none of the warranties given by the Company under the New CB Subscription Agreement 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 Dr. Mao under the New CB Subscription Agreement 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 conditions set out in (i), (ii), (iii) and (iv) above are incapable of being waived. The Subscriber may at any time by notice in writing to the Company waive condition (v) above. The Company may at any time by notice in writing to the Subscriber to waive condition (vi). If any of the conditions precedent above are not fulfilled (or waived, as the case may be) on or before the New CB Long Stop Date, the New CB 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 New CB Subscription Agreement save in respect of any antecedent breach of any obligation thereof.

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

New CB Subscription Completion

Subject to fulfillment or waiver (as the case may be) of the conditions set out in the paragraph headed “Conditions precedent” above, New CB Subscription Completion shall take place on a date falling on the third Business Day or such other day as agreed by the Company and Dr. Mao.

4.2 Information of the New Convertible Bonds

Set out below are the principal terms and conditions of the New Convertible Bonds. For details of the terms of the New Convertible Bonds, please refer to section headed “The New CB Subscription Agreement” in the Letter from the Board.

Issuer:	The Company
Subscriber:	Dr. Mao
Principal amount:	HK\$55,500,000
Issue price:	100% of the principal amount of the New Convertible Bonds.
Interest:	The New Convertible Bonds shall bear an interest from (and including) the date of issue at the rate of 0% per annum on the outstanding principal amount of the Convertible Bonds.
New CB Maturity Date:	The tenth anniversary of the date of issue of the New Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date

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- Conversion right and limitation: The holder(s) 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 CB Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the New Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the New Convertible Bonds may be converted; (ii) the exercise of the New CB Conversion Rights 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) the conversion of such portion of the principal amount of the New Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of The Hong Kong Code on Takeovers and Mergers on the part of the New CB Bondholder(s) which exercised the New CB Conversion Rights and parties acting in concert with it.
- Conversion price: The initial New CB Conversion Price for the New Convertible Bonds shall be equal to HK\$0.211 per New CB Conversion Share, subject to adjustments as hereafter described

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Conversion shares: Based on the principal amount of the New Convertible Bonds of HK\$55,500,000, the New Convertible Bonds are convertible into 263,033,175 New CB Conversion Shares at the initial New CB Conversion Price of HK\$0.211 per New CB Conversion Share (subject to adjustments) PROVIDED ALWAYS that the maximum number of New CB Conversion Shares issuable upon conversion of the New Convertible Bonds shall be subject to the threshold of (i) 263,033,175 Shares (or such other number of Shares under an afresh approval as the Listing Committee of the Stock Exchange may be granted as to the listing thereof, and permission to deal therein, upon further application to be made on the part of the Company in the event of any adjustment of New CB Conversion Price) (the “**Listing Approval Threshold**”); or (ii) such number of Shares which may be permissible to be issued under the Specific Mandate (the “**New CB Specific Mandate Threshold**”), whichever is lower. If there is any event occurred (including but not limited to the dilutive events as stated in the terms and conditions of the New Convertible Bonds) which leads to the number of New CB Conversion Shares issuable under the New Convertible Bonds to exceed the Listing Approval Threshold or the Specific Mandate Threshold (whichever is lower), then the New CB Bondholder(s) shall be entitled to convert the New Convertible Bonds into such number of New CB Conversion Shares subject to the Listing Approval Threshold or the New CB Specific Mandate Threshold (as appropriate) based on the adjusted New CB Conversion Price and any outstanding remaining principal amount of the New Convertible Bonds shall be redeemed by the Company on the New CB Maturity Date in cash in accordance with the terms of the New Convertible Bonds.

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Based on the initial New CB Conversion Price of HK\$0.211 per New CB Conversion Share, a maximum number of 263,033,175 New CB Conversion Shares will be allotted and issued upon exercise of the New CB Conversion Rights attaching to the New Convertible Bonds in full, which represent: (i) approximately 15.26% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.24% of the issued share capital of the Company as enlarged by the allotment and issue of the New CB Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the date of this circular and up to conversion of the New Convertible Bonds in full at the initial New CB Conversion Price).

The maximum aggregate nominal value of the New CB Conversion Shares is HK\$2,630,331.75.

- Conversion period: The period commencing from the issue date of the New Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the New CB Maturity Date
- 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\$500,000 by the holder(s) of the New Convertible Bonds to any party, save and except that the New Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company.
- Adjustment events: The New Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events:
- (a) an alteration to the nominal amount of the Shares by way of consolidation, sub-division, or reclassification, where the New CB Conversion Price shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation, sub-division or re-classification becomes effective;

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- (b) an issue (other than in lieu of cash dividend and other than issue that would amount to capital distribution) of 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), where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = 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) a capital distribution (in cash or specie and whether on a reduction of capital or otherwise) to the Shareholders or grant to the Shareholders rights to acquire for cash assets of the Group, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such distribution or grant by the following fraction:

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

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where:

A = the Market Price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) 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 Adviser, of the portion of the capital distribution or of such rights 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 Adviser is not required.

Provided that:

(aa) if in the opinion of the Independent Adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it 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 sub-paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

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For the purpose of this sub-paragraph (c), “Market Price” shall mean the average of the closing prices of one Share on the Stock Exchange for each of the last five (5) Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained; and “Independent Adviser” shall mean (i) an independent financial adviser which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, or (ii) the auditors for the time being of the Company or, if there shall be joint auditors, any one or more of such auditors or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the New Convertible Bonds instrument, such other firm of accountants of international repute as may be nominated by the Company;

- (d) an offer of Shares to the Shareholders for conversion by way of rights, or grant, to Shareholders of any options or warrants to subscribe for 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = 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

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C = the 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 New CB Bondholders (subject to such exclusions or other arrangements as the directors of the Company 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 they had exercised the New CB Conversion Rights under the New Convertible Bonds registered in their holders of the New Convertible Bonds out of the total principal amount of the New Convertible Bonds outstanding at the time of the proposed redemption;

- (e) (aa) an issue of securities wholly for cash or for reduction of liabilities or for acquisition of asset which by their terms are convertible into or exchangeable for or carry rights of conversion for Shares, and the total effective consideration per Share 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

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where:

A = the number of Shares in issue immediately before the date of the issue

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = 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 on the date of the issue;

(bb) modification of the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e), so that the total effective consideration per Share 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such modification;

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B = 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

C = 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 an adjustment of the New CB Conversion Price provided that corresponding adjustment has already been made to the New CB Conversion Price in respect of such an event.

For the purpose 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 or the aggregate consideration deemed to be paid for such securities 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 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;

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- (f) an issue of any Shares wholly for cash or for reduction of liabilities 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, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue; and

- (g) an issue of any Shares for the acquisition of asset at a total effective consideration per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, where the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

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where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

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

For the purpose of this sub-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.

Ranking of New CB Conversion Shares: The New CB 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.

Early redemption at the option of the Company: The Company shall be entitled at its sole discretion, by giving not less than seven (7) days’ notice to the holder(s) of the New Convertible Bonds, propose to the holder(s) to redeem the outstanding New Convertible Bonds (in multiples of HK\$500,000 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 seven (7) days immediately before the maturity date of the New Convertible Bonds.

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- Voting rights: The holder(s) of the New Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
- Security: The obligations of the Company under the New Convertible Bonds are unsecured.
- Listing: Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New CB Conversion Shares. No application will be made for a listing of the New Convertible Bonds on the Stock Exchange or any other stock exchange.

New CB Conversion Shares

Assuming full conversion of the New Convertible Bonds at the New CB Conversion Price of HK\$0.211 per New CB Conversion Share (subject to adjustments), a maximum number of 263,033,175 New CB Conversion Shares will be allotted and issued, representing approximately 15.26% of the issued share capital of the Company as at the Latest Practicable Date and approximately 13.24% of the issued share capital of the Company as enlarged by the allotment and issue of the New CB Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to conversion of the New Convertible Bonds in full at the initial New CB Conversion Price).

5. Information of the Existing CB Amendment

5.1 Amendment to the terms and conditions of the Relevant Existing Convertible Bonds

References are made to the announcements of the Company dated 15 May 2013, 20 November 2013, 31 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015, and the circular of the Company dated 27 September 2013 in relation to the Transactions. On 27 April 2013, the Company and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, (i) an aggregate of 450,000,000 shares of Extrawell Pharmaceutical Holdings Limited; and (ii) convertible bonds in the aggregate principal amount of HK\$577,170,000 to be issued by Extrawell Pharmaceutical Holdings Limited, at the maximum aggregate consideration of HK\$864,000,000 (collectively, the “**Transactions**”). Completion of the Transactions took place in stages on 25 October 2013, 31 December 2013, 24 April 2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively. The Company issued the Existing Convertible Bonds in the aggregate principal amount of HK\$744,000,000 in batches to the Vendors as part of the consideration of the Transactions on 25 October 2013, 27 December 2013, 24 April

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2014, 30 August 2014, 31 December 2014 and 30 April 2015 respectively. The Existing Convertible Bonds were issued at nil interest and the original maturity date falls on the tenth anniversary of the date of issue.

On 15 August 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Deed of Amendment pursuant to which the Company and the Existing CB Bondholders have conditionally agreed to amend certain terms and conditions of the Existing Convertible Bonds.

On 22 December 2023 (after trading hours of the Stock Exchange), the Company and the Existing CB Bondholders entered into the Existing CB Supplemental Deed to amend and supplement certain terms of the Existing CB Deed of Amendment to the effect that (i) the conversion price of the Relevant Existing Convertible Bonds be changed from HK\$0.40 to HK\$0.202; and (ii) the maturity date of the then outstanding Existing Convertible Bonds, in the principal amount of HK\$103,600,000 shall not be extended.

As disclosed in the Letter from the Board, as the Existing CB Deed of Amendment and the Deed of Waiver shall lapse on 31 December 2023, the Company and the Existing CB Bondholders commenced the negotiation over the extension of the long stop date in early December 2023. During the course of the negotiation, the Existing CB Bondholders requested that unless the Company agreed (a) to adjust the conversion price of the Relevant Existing Convertible Bonds from HK\$0.40 to HK\$0.202; and (b) that no extension be granted to the maturity date of the then outstanding Existing Convertible Bonds in the principal amount of HK\$103,600,000 by way of a supplemental deed, the Existing CB Bondholders would not agree to any extension of the long stop date. In the event that the Existing CB Deed of Amendment and the Deed of Waiver lapsed due to the expiry of the long stop date, the Dr. Mao 2023 October Bonds, the Dr. Mao 2023 December Bonds and the United Gene 2023 December 2023 shall mature on 24 October 2023, 26 December 2023 and 26 December 2023, respectively, and the Company shall redeem the Relevant Existing Convertible Bonds at 100% of the principal amount, being the Existing CB Outstanding Principal Payment in the aggregate amount of HK\$256,000,000, failing which the Existing CB Bondholders shall be entitled to take steps to enforce or make demand for the Existing CB Outstanding Principal Payment. As such, the Company agreed to enter into a supplemental deed to effect the Existing CB Bondholders' requests as aforementioned. We have further discussed with the management of the Company regarding the basis and factors considered by the management in lowering of the Relevant Existing CB Conversion Price. Based on the factors disclosed above and considering that the Relevant Existing CB Conversion Price was close to the prevailing market price of the Company, we are of the view that the Existing CB Supplemental Deed is fair and reasonable and on normal commercial terms.

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To lower the total amount of debts of the Company, the relevant Existing Bondholders had agreed to convert the Existing Convertible Bonds in the principal amount of HK\$42,000,000 due 29 April 2025, the Existing Convertible Bonds in the principal amount of HK\$39,600,000 due 30 December 2024, the Existing Convertible Bonds in the principal amount of HK\$22,000,000 due 29 April 2025, into Share on 29 December 2023, 5 January 2024 and 10 January 2024 respectively.

As at the Latest Practicable Date, Relevant Existing Convertible Bonds in the aggregate principal amount of HK\$256,000,000 held by Dr. Mao and United Gene remain outstanding.

The relevant Existing Bondholders had converted the Existing Convertible Bonds in the aggregate principal amount of HK\$103,600,000 in December 2023 and January 2024, despite the fact that the conversion price was equivalent to a premium of approximately 82.65%, 90.48% and 92.31% over the closing price of HK\$0.219, HK\$0.21 and HK\$0.208 per Share as quoted on the Stock Exchange on the business day immediately preceding the respective date of conversion.

Details of the principal terms of the Existing CB Deed of Amendment are set out below:

Existing CB Deed of Amendment

- Date: 15 August 2023 (after trading hours of the Stock Exchange) (as amended and supplemented by the Existing CB Supplemental Deed dated 22 December 2023 and the extension letter dated 29 December 2023)
- Parties: (1) the Company, as the issuer;
- (2) Dr. Mao, as an Existing CB Bondholder;
- (3) JNJ, as an Existing CB Bondholder; and
- (4) United Gene, as an Existing CB Bondholder

Principal terms of the Existing CB Amendment

The Company and the Existing CB Bondholders have conditionally agreed to amend the terms of the Relevant Existing Convertible Bonds to the effect that: (1) the Relevant Existing CB Maturity Date shall be extended from the tenth anniversary of the date of issue to the twentieth anniversary of the date of issue and (2) the conversion price of the Relevant Existing Convertible Bonds shall be amended from HK\$0.40 to HK\$0.202.

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Save for the Existing CB Amendment, the terms and conditions of the Relevant Existing Convertible Bonds remain intact and unchanged.

An application will be made by the Company to the Stock Exchange for the approval of the Existing CB Amendment pursuant to Rule 28.05 of the Listing Rules.

Conditions precedent

The Existing CB Amendment shall be conditional upon and subject to:

- (a) the approval having been obtained from the Stock Exchange in respect of the Existing CB Amendment;
- (b) all necessary consents and approvals required to be obtained on the part of the Company and the Existing CB Bondholders in respect of the Existing CB Amendment having been obtained and remained in full force and effect;
- (c) the passing of the necessary resolution(s) by the shareholders of each of the Company and the Existing CB Bondholders at a special general meeting of each of the Company and the Existing CB Bondholders to be convened and held to approve the Existing CB Deed of Amendment and the transactions contemplated thereunder; and
- (d) (if necessary) the Existing CB Bondholders having passed a written resolution of the bondholders meeting to approve the Existing CB Deed of Amendment and the transactions contemplated thereunder.

The Existing CB Amendment shall take effect on the next Business Day when all the conditions above are fulfilled. None of the above conditions can be waived. If any of the above conditions is not fulfilled on or before the Amendment Long Stop Date, the Existing CB Deed of Amendment shall automatically lapse and be of no further effect and the Company and the Existing CB Bondholders shall be released from all obligations thereunder.

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

The Deed of Waiver

On 15 August 2023 (after trading hours of the Stock Exchange), the Company, Dr. Mao and United Gene entered into the Existing CB Deed of Waiver pursuant to which, among others, each of Dr. Mao and United Gene granted to the Company a waiver in respect of the obligation of the Company to (i) redeem the Dr. Mao 2023 October Bonds, the Dr. Mao 2023 December Bonds and

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the United Gene 2023 December Bonds on their respective original Maturity Date at 100% of the principal amount, being the Existing CB Outstanding Principal Payment; and (ii) not to take any steps to enforce or make demand for the Existing CB Outstanding Principal Payment.

Pursuant to the Existing CB Deed of Waiver, if any of the conditions precedent under the Existing CB Deed of Amendment has not been fulfilled on the Amendment Long Stop Date, the Existing CB Deed of Amendment shall automatically lapse and be of no further effect and the Company and the Existing CB Bondholders shall be released from all obligations thereunder. In such circumstances, the Company, Dr. Mao and United Gene agree that the Company shall within 30 Business Days from the Amendment Long Stop Date pay to Dr. Mao and United Gene the Existing CB Outstanding Principal Payment.

TERMS OF THE RELEVANT EXISTING CONVERTIBLE BONDS

Subject to the fulfillment of the conditions precedent to the Existing CB Amendment, the principal terms of the Relevant Existing Convertible Bonds (as amended by the Existing CB Deed of Amendment) will be as follows:

Principal amount: An aggregate principal amount of up to HK\$256,000,000

Relevant Existing CB Maturity Date: Twentieth (20th) anniversary of the date of issue

Interest: Nil

Relevant Existing CB Conversion Price: The Relevant Existing CB Conversion Price is HK\$0.202 per Relevant Existing CB Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Existing Convertible Bonds.

The Relevant Existing CB Conversion Price of HK\$0.202 per Relevant Existing CB Conversion Share represents:

- (i) a premium of approximately 1.00% over the closing price of HK\$0.20 per Share as quoted on the Stock Exchange on the last trading date prior to the signing of the Existing CB Supplemental Deed;

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- (ii) a premium of approximately 0.30% over the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Existing CB Supplemental Deed; and
- (iii) a discount of approximately 3.81% to the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 146.34% over the Company's net asset value per Share of approximately HK\$0.082, calculated based on the audited consolidated net assets of the Company of HK\$140,562,000 as at 31 March 2023 and 1,723,193,024 Shares in issue as at the Latest Practicable Date.

Adjustment events: The Relevant Existing CB Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:

- (i) consolidation or sub-division of Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to the consolidation or sub-division by the following fraction:

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

where:

A = the revised nominal amount; and

B = the former nominal amount.

C = the number of Shares offered for subscription or comprised in the options or warrants.

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

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- (ii) capitalisation of profits, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

B = the aggregate nominal amount of the Shares issued in such capitalization.

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

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- (iii) capital distribution, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to such distribution or grant 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 date next preceding the date 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 an approved merchant bank or the auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share;

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

Provided that (1) if in the opinion of the relevant approved merchant bank or auditors of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it 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 (2) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend;

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- (iv) issue of Shares by way of rights, options and warrants, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to the date of the announcement of the terms of the 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 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 to become 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 Relevant Existing CB 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 recognized regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the Existing Convertible Bonds in full on the day immediately preceding the record date for such offer or grant;

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- (v) issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price 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 retrospectively) 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;

- (vi) modification of rights of conversion or exchange or subscription attaching to any such securities, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB 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.

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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 capitalization issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purpose of sub-paragraphs (iv) and (v), 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 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;

- (vii) issue of Shares wholly for cash at more than 20% discount to the market price of such Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately before the date of the announcement of the terms of such issue 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;
and

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(viii) issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares, where the Relevant Existing CB Conversion Price shall be adjusted by multiplying the Relevant Existing CB Conversion Price in force immediately before the date of announcement of the terms of such issue by a fraction of which the numerator shall be the total Effective Consideration per Shares and the denominator shall be such market price.

Such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which the Company determines the issue price for such Shares.

For the purpose of this sub-paragraph (viii), “**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.

Relevant Existing CB Conversion Shares: Based on the initial Relevant Existing CB Conversion Price of HK\$0.202, a maximum number of 1,267,326,732 Relevant Existing CB Conversion Shares will be allotted and issued upon exercised in full of the conversion rights attaching to the Existing Convertible Bonds, which represent:

- (i) approximately 73.55% of the total issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 42.38% of the total issued share capital of the Company as enlarged by the allotment and issue of the Relevant Existing CB Conversion Shares upon exercise in full of the conversion rights attaching to Relevant Existing Convertible Bonds.

The Relevant Existing CB Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

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Conversion restrictions:	<p>Upon exercise of the conversion rights attaching to the Relevant Existing Convertible Bonds,</p> <p>(i) the holders of Relevant Existing Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and</p> <p>(ii) the public float of the Company will comply with the relevant requirements under the Listing Rules.</p>
Conversion period:	<p>The period commencing from the date of issue of the Relevant Existing Convertible Bonds and ending on the day which falls on the Relevant Existing CB Maturity Date.</p>
Early redemption:	<p>The Company shall not be entitled to redeem all or part of the outstanding Relevant Existing Convertible Bonds prior to the Relevant Existing CB Maturity Date.</p> <p>The Company or any of its subsidiaries may at any time and from time to time purchase the Relevant Existing Convertible Bonds at any price as agreed between the Company or such subsidiary and the relevant holder of the Relevant Existing Convertible Bonds.</p> <p>Furthermore, according to the instrument constituting the Relevant Existing Convertible Bonds, the holders of the Relevant Existing Convertible Bonds do not have the right to early redemption of all or part of the outstanding Relevant Existing Convertible Bonds prior to the Relevant Existing CB Maturity Date.</p>
Ranking:	<p>The Relevant Existing CB Conversion Shares shall rank pari passu in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Relevant Existing CB Conversion Shares shall include rights to participate in all dividends and other distributions.</p>
Transferability:	<p>Any transfer of the Relevant Existing Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$400,000) of the principal amount of the Relevant Existing Convertible Bonds.</p>

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Furthermore, according to the instrument constituting the Relevant Existing Convertible Bonds, the Relevant Existing Convertible Bonds must not be transferred to any person, firm or company which is a connected person (as defined in the Listing Rules) of the Company except in compliance with the applicable requirements under the Listing Rules and the Takeovers Code.

Application for listing:	No application will be made by the Company to the Stock Exchange for listing of the Relevant Existing Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Relevant Existing CB Conversion Shares.
Notice of conversion by other bondholders:	The Company may, upon request by the holders of the Relevant Existing Convertible Bonds in writing, notify the holders of the Relevant Existing Convertible Bonds about the conversion of the convertible bonds of the Company by other bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

6. Assessment of the principal terms of the New Convertible Bonds and the New CB Subscription Agreement and the Existing CB Deed of Amendment

6.1 The New CB Conversion Price

The initial New CB Conversion Price of HK\$0.211 per New CB Conversion Share represents:

- (i) the closing price of HK\$0.211 per Share as quoted on the Stock Exchange on the date of the New CB Subscription Agreement;
- (ii) a premium of approximately 4.66% over the average closing price of approximately HK\$0.202 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the New CB Subscription Agreement;
- (iii) a premium of approximately 5.08% over the average closing price of approximately HK\$0.201 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the New CB Subscription Agreement;
- (iv) a premium of approximately 0.48% over the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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- (v) a premium of approximately 157.32% over the Company's net asset value per Share of approximately HK\$0.082 calculated based on the audited consolidated net assets of the Company of HK\$140,562,000 as at 31 March 2023 and 1,723,193,024 Shares in issue as at the Latest Practicable Date.

As stated in the Letter from the Board, the initial New CB Conversion Price was arrived at after arm's length negotiations between the Company and Dr. Mao taking into account (i) the existing capital market conditions in Hong Kong; and (ii) the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the New CB Subscription Agreement.

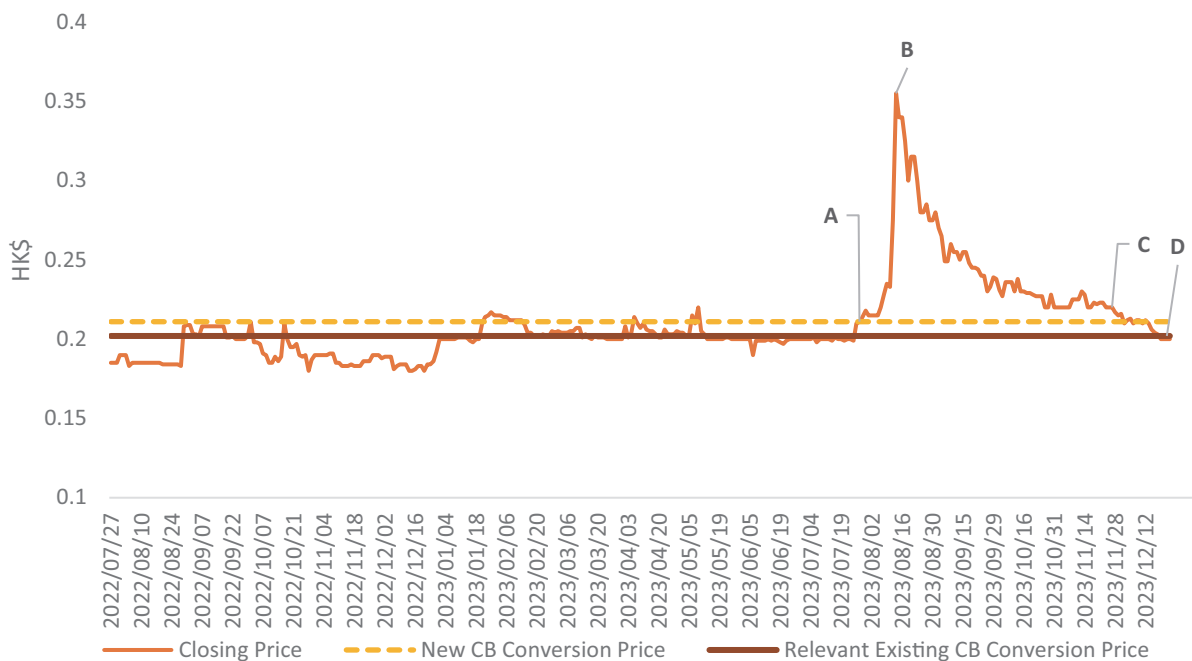
Having considered that (i) the New CB Conversion Price represents a premium over the closing price on the date of the New CB Subscription Agreement, average closing prices for the five/ten consecutive trading days immediately prior to the date of the New CB Subscription Agreement or the Company's net asset value as at 31 March 2023; (ii) the Relevant Existing CB Conversion Price represents a premium over the closing price prior to the signing of the Existing CB Supplemental Deed; and (iii) the Group's net current liability in the past few years, we are of the view that the recent market price of the Shares is more representative of the fair value of the Shares that is generally perceived by the market which has taken into account the prevailing market condition, investor sentiment, and macroeconomic situations caused by the impacts of the COVID-19 pandemic. As such, the recent market price of the Shares is a more relevant factor in assessing the fairness and reasonableness of the Convertible Price. Accordingly, we concur with the Director's view that (i) the New CB Conversion Price and the terms and conditions of the New CB Subscription Agreement and the New Convertible Bonds; and (ii) Relevant Existing CB Conversion Price and the terms and conditions of the Existing CB Supplemental Deed, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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6.2 Historical price performance of the Shares

To assess the fairness and reasonableness of the New CB Conversion Price and the Relevant Existing CB Conversion Price, we have performed a review on the daily closing price of the Shares from 27 July 2022 up to and including the date of signing of the Existing CB Supplemental Deed (the “**Review Period**”), being a period of approximately one year prior to the date of the New CB Subscription Agreement, up to and including the date of signing of the Existing CB Supplemental Deed. We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the recent price movement of the Shares. The comparison of daily closing prices of the Shares, the New CB Conversion Price and the Relevant Existing CB Conversion Price is illustrated as follows:

Graph A: Closing Price during the Review Period



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Events	Date of publication	Announcements title
A	28/07/2023	Connected transaction — issue of convertible bonds under specific mandate
B	15/08/2023	Amendment to the terms and conditions of the convertible bonds
C	27/11/2023	Profit alert
D	22/12/2023	Connected transaction — supplemental deed in relation to amendment to the terms and conditions of the convertible bonds

Data source: The website of the Stock Exchange

New CB Conversion Price

As illustrated in the chart above, the daily closing prices per share during the Review Period (the “**Closing Price**”) ranged from HK\$0.180 (the “**Lowest Closing Price**”) on 28 October 2022, 14 December 2022, 15 December 2022 and 21 December 2022 to HK\$0.355 (the “**Highest Closing Price**”) on 14 August 2023, with an average Closing Price of approximately HK\$0.209 (the “**Average Closing Price**”). We note that the New CB Conversion Price represents (i) a premium of approximately 17.2% over the Lowest Closing Price; (ii) a discount of approximately 40.6% to the Highest Closing Price; and (iii) a premium of approximately 0.7% over the Average Closing Price. We note that out of the 349 trading days during the Review Period, the Shares were traded higher than the New CB Conversion Price for 107 trading days. We further note that during the Review Period, the Closing Price surged from HK\$0.214 on 28 July 2023 to HK\$0.355 on 14 August 2023, being the period of 12 trading days after the date of the New CB Subscription Agreement. Subsequently, the Closing Price began to drop from HK\$0.355 on 14 August 2023 with a downtrend and dropped to HK\$0.200 on 22 December 2023. We have made inquiry to the management of the Group which is also not aware of any other reasons for the aforementioned sharp increase in the closing price of the Shares. We have also discussed with the Company and were advised that the Company are not aware of any particular reason for the recent general downward trend of the Share price since 14 August 2023. In addition, we have reviewed the announcements disclosed during such period and we are not aware of any information which caused the substantial change in the closing price of the Shares.

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Taking into account that (i) the New CB Conversion Price was the same as the closing price on the date of the New CB Subscription Agreement; and (ii) the closing price of the Shares has remained relatively stable during the Review Period save for the price surge after the date of the New CB Subscription Agreement, we are of the view that recent share prices are more representative of the latest market condition and sentiment, thus we concur with the Directors' view that the New CB Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Relevant Existing CB Conversion Price

We note that the Relevant Existing CB Conversion Price represents (i) a premium of approximately 12.2% over the Lowest Closing Price; (ii) a discount of approximately 43.1% to the Highest Closing Price; and (iii) a discount of approximately 3.6% to the Average Closing Price. We note that out of the 349 trading days during the Review Period, the Shares were traded higher than the Relevant Existing CB Conversion Price for 166 trading days. Given that Relevant Existing CB Conversion Price (i) is close to the Average Closing Price; and (ii) represents premiums over the closing price on the lasting trading date of signing of the Existing CB Supplemental Deed and the average closing price for the last five consecutive trading days immediately prior to the date of signing of the Existing CB Supplemental Deed, respectively, we concur with the Directors' view that the Relevant Existing CB Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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6.3 Historical trading volume of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Month/Period	Total trading volume (Shares)	No. of trading days	Average daily trading volume (Note 1) Approximately (Shares)	Percentage of the average daily trading volume over the total number of issued Shares (Note 2) Approximately
2022				
July (commencing from 27 July 2022)	605,100	3	201,700	0.014%
August	10,300,550	23	447,850	0.031%
September	2,581,370	21	122,922	0.008%
October	5,667,690	20	283,385	0.019%
November	3,066,520	22	139,387	0.010%
December	3,089,000	20	154,450	0.011%
2023				
January	8,334,450	18	463,025	0.032%
February	1,685,500	20	84,275	0.006%
March	1,630,640	23	70,897	0.005%
April	1,192,224	17	70,131	0.005%
May	1,962,020	21	93,430	0.006%
June	4,603,300	21	219,205	0.015%
July	4,930,120	20	243,340	0.017%
August	19,532,040	23	849,219	0.058%
September	2,184,120	19	114,954	0.008%
October	1,200,560	20	60,028	0.004%
November	894,440	22	40,656	0.003%
December	1,031,040	16	64,440	0.004%

Sources: the website of Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculated based on the total number of Shares in issue at the end of each month/period.

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As illustrated in the above table, the percentage of average daily trading volume to total number of Shares in issue ranged from 0.003% to 0.058%, with an average of 0.014%. Based on the above results, we considered that the trading liquidity of the Shares during the Review Period were generally thin. The relatively low trading volume of the Shares may suggest that it would be difficult for the Company to pursue financing alternatives such as open offer or rights issue in the stock market without offering considerable discount as an incentive, and both the New CB Conversion Shares and the Relevant Existing CB Conversion Shares with a premium conversion price is considered favourable to the Company.

6.4 Comparable analysis

To assess the fairness and reasonableness of key terms of the New Convertible Bonds and the Relevant Existing Convertible Bonds, we have conducted research, using our best endeavours, of recent proposed issue or altering conversion price of convertible bonds/notes under specific mandate. Based on our findings on a best effort basis and as far as we are aware, we have identified an exhaustive list of 20 comparable issues of convertible bonds under specific mandate (the “**Comparables**”), which were announced by companies listed on the Stock Exchange from 27 July 2022 to the date of the Existing CB Supplemental Deed (the “**Comparison Period**”), being approximately one and half year, to provide a general reference for the recent market practice in relation to the key terms of the convertible bonds under similar market condition. We considered that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparables as a whole provide a fair and representative sample.

Furthermore, we note that only two out of 20 Comparables involve alteration to the conversion price of bonds during the Comparison Period. Given that the comparable analysis is mainly conducted to assess the fairness and reasonableness of key terms of the New Convertible Bonds and the Relevant Existing Convertible Bonds, we consider that fresh issue or alteration in the terms of convertible bonds would not affect our analysis as (i) the timeframe of the Comparison Period, being approximately one and half year, is considered to be appropriate; and (ii) our analysis is mainly concerned with the New CB Conversion Price and the Relevant Existing CB Conversion Price under the prevailing market sentiment, we are of the view that the Comparables can provide a reasonable reference as to how the recent market generally perceives conversion prices of convertible bonds, regardless the Comparables involve alteration to the conversion price of bonds or on fresh issue of convertible bonds.

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Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transactions for companies listed on the Stock Exchange. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the New Convertible Bonds. The following table sets forth the relevant details of the Comparables:

Date of announcement	Name of Company	Stock code	Connected transactions	Maturity (year) (Note 1)	Interest rate p.a. (%)	Premium/(discount) of conversion price over/to the closing share price on the last trading day prior to/on the date of the subscription agreement (%)	Premium/(discount) of conversion price over/to the average closing share price for the last five consecutive trading days prior to/on the date of the subscription agreement ("Alteration") (%)	Fresh issue of convertible bonds ("Fresh")/ Alteration to conversion price	Already due or not?	Possible dilution effect on the independent shareholders (note 5)
16/11/2023	Prosperity Investment Holdings Limited	310	Yes	2	8.00	10.67	10.67	Fresh	—	From 73.56% to 58.91%
28/9/2023	Asia Television Holdings Limited (note 4)	707	No	2	8.00	104.08	122.22	Fresh	—	From 49.46% to 38.80%
22/9/2023	Wai Hung Group Holdings Limited (note 3, 4)	3321	No	3	0.00	(97.98)	(98.44)	Fresh	—	From 38.08% to 6.19%
11/9/2023	Huscoke Holdings Limited (note 3)	704	Yes	2	8.00	(0.56)	0.00	Fresh	—	From 49.42% to 10.06%
29/8/2023	Kiu Hung International Holdings Limited	381	No	5	4.00	32.74	31.58	Fresh	—	From 99.904% to 39.173%
25/8/2023	Mobile Internet (China) Holdings Limited (note 3)	1439	No	2	2.00	(58.30)	(67.10)	Fresh	—	From 78.08% to 1.96%
14/7/2023	NOIZ Group Limited	8163	Yes	2	0.00	21.35	20.00	Fresh	—	From 72.18% to 58.69%
23/6/2023	Dingyi Group Investment Limited (note 4)	508	Yes	3	5.5	441.00	463.00	Fresh	—	From 42.59% to 31.95%
19/6/2023	Creative China Holdings Limited (note 4)	8368	Yes	2	2.00	107.69	108.49	Fresh	—	From 43.17% to 41.10%
6/6/2023	China Asia Valley Group Limited	63	Yes	5	3.60	(33.30)	(31.50)	Fresh	—	From 25.07% to 11.12%
3/4/2023	China Zenith Chemical Group Limited	362	No	2	3.00	(10.30)	(8.30)	Fresh	—	From 65.71% to 47.00%
29/3/2023	China Baoli Technologies Holdings Limited (note 4)	164	No	3	2.00	181.25	186.26	Fresh	—	From 96.6117% to 84.5697%

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Date of announcement	Name of Company	Stock code	Connected transactions	Maturity (year) (Note 1)	Interest rate p.a. (%)	Premium/(discount) of conversion price over/to the closing share price on the last trading day prior to/on the date of the subscription agreement (%)	Premium/(discount) of conversion price over/to the average closing share price for the last five consecutive trading days prior to/on the date of the subscription agreement ("Alteration") (%)	Fresh issue of convertible bonds ("Fresh")/ Alteration to conversion price	Already due or not?	Possible dilution effect on the independent shareholders (note 5)
29/3/2023	Kerry Logistics Network Limited	636	Yes	Perpetual (Note 2)	3.30	44.17	46.55	Fresh	—	From 15.85% to 15.49%
22/12/2022	Wai Chun Bio-Technology Limited	660	Yes	3	0.00	25.00	32.00	Fresh	—	From 50.05% to 14.60%
16/11/2022	CCT Fortis Holdings Limited	138	Yes	3	4.50	10.35	5.82	Fresh	—	From 45.99% to 17.86%
14/11/2022	Merdeka Financial Group Limited	8163	Yes	1.5	0.00	14.81	14.81	Fresh	—	From 72.18% to 38.73%
18/10/2022	Oriental Payment Group Holdings Limited	8613	No	3.5	7.00	(20.00)	(25.71)	Alteration	Not due	From 36.62% to 32.71%
14/10/2022	Winshine Science Company Limited	209	No	2	16.00	13.64	11.61	Fresh	—	From 57.70% to 46.32%
19/9/2022	Huscoke Holdings Limited (note 3)	704	Yes	2	8.00	(30.50)	(31.40)	Fresh	—	From 48.84% to 13.79%
17/8/2022	China Healthwise Holdings Limited	348	No	2	6.00	53.85	42.32	Alteration	Not due	From 71.15% to 57.06%
						Excluding Outliners A and Outliners B: Minimum (33.30) (31.50) Maximum 53.85 46.55 Average 13.58 12.49 Median 14.23 13.21				
27/7/2023	The New CB Subscription Agreement	399	Yes	10	0.00	0.00	4.66	Fresh	—	
22/12/2023	The Existing CB Supplemental Deed	399	Yes	20	0.00	1.00	0.30	Alteration	overdue	From 46.68% to 24.72%

Source: the relevant announcement or circular posted on the website of the Stock Exchange

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Notes:

- (1) For the term of maturity, either it is specified in the announcement or it is counted from the announcement date to the maturity date specified in the announcement.
- (2) The Kerry Logistics Network Limited with perpetual maturity is excluded for illustrative purpose.
- (3) Wai Hung Group Holdings Limited (stock code: 3321), Huscoke Holdings Limited (stock code: 704) and Mobile Internet (China) Holdings Limited (stock code: 1439) are considered as outliners (the “**Outliners A**”) as they were or had been long suspended issuers shortly before or when announcing the proposed issues of convertible bonds.
- (4) Asia Television Holdings Limited (stock code: 707), Wai Hung Group Holdings Limited (stock code: 3321), Dingyi Group Investment Limited (stock code: 508), Creative China Holdings Limited (stock code: 8368) and China Baoli Technologies Holdings Limited (stock code: 164) are considered as outliners (the “**Outliners B**”) as the discount/premium was over 90%.
- (5) According to the disclosures of respective Comparables, the potential dilutive impact are for illustration purposes only and the exercise of the conversion rights attached to the respective convertible bonds shall not cause the Comparables to be unable to meet the public float requirements under the Listing Rules or the GEM Listing Rules.

(i) New CB Conversion Price

As illustrated in table above, excluding the Outliners A and Outliners B, (i) the premium/(discount) of conversion price over/to the closing share price on the last trading day prior to/on the date of the subscription agreement of the Comparables ranged from a discount of approximately 33.3% to a premium of approximately 53.85%, with an average of a premium of approximately 13.58% and a median of a premium of approximately 14.23%; and (ii) the premium/(discount) of conversion price over/to the closing share price for the last five consecutive trading days prior to/on the date of the subscription agreement of the Comparables ranged from a discount of approximately 31.50% to a premium of approximately 46.55%, with an average of a premium of approximately 12.49% and a median of a premium of approximately 13.21%. The New CB Conversion Price, representing nil and a premium of approximately 4.66% over the closing price of the shares on the date of the New CB Subscription Agreement and for the last five consecutive trading days on/prior to the date of the New CB Subscription Agreement respectively, is within the range of the Comparables, despite lower than the average and median of the Comparables. Taking into account the New CB Conversion Price (i) is within the range of the Comparables; and (ii) is equal to the closing price of the shares on the date of the New CB Subscription Agreement and represents a premium over the average price for the last five consecutive trading days prior to the date of the New CB Subscription Agreement respectively, we consider that the New CB Conversion Price is fair and reasonable and favourable to the Company and its Independent Shareholders as a whole.

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(ii) Relevant Existing CB Conversion Price

As illustrated in table above, the Relevant Existing CB Conversion Price (i) representing a premium of approximately 1.00% over the closing price of the shares prior to the date of signing of the Existing CB Supplemental Deed, is within the range of the Comparables and is lower than the average and median of the Comparables; and (ii) representing a premium of approximately 0.30% over the closing price of the shares for the last five consecutive trading days immediately prior to the date of signing of the Existing CB Supplemental Deed, is within the range of the Comparables and is lower than the average and median of the Comparables. Taking into account the Relevant Existing CB Conversion Price (i) is within the range of the Comparables; and (ii) represents a premium of conversion price over the closing price of the Shares prior to the date of signing of the Existing CB Supplemental Deed and for the last five consecutive trading days immediately prior to the date of signing of the Existing CB Supplemental Deed respectively, we consider that the Relevant Existing CB Conversion Price is fair and reasonable and favourable to the Company and its Independent Shareholders as a whole.

(iii) Interest rate

As presented by the table above, the Comparables had annual interest rates from nil to 16.00% and both the New Convertible Bonds and Relevant Existing Convertible Bonds will not bear any interest (zero-coupon). We consider that they are fair and reasonable.

(iv) Term to maturity

The term to maturity of the Comparables ranged from one and a half years to perpetual. Considering that the term to maturity of the New Convertible Bonds, which is approximately 10 years, and that the term to maturity of the Relevant Existing Convertible Bonds, which changes to 20 years, are within range, we concur with the Directors' view that the term to maturity of the New Convertible Bonds and the Relevant Existing Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above analysis, we are of the view that the terms of the New CB Subscription Agreement and Existing CB Deed of Amendment, the Existing CB Deed of Waiver are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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7. Potential dilution effect on the shareholding of the Company

With reference to the shareholding table in the section headed “Effects on the shareholding structure of the Company” of the Letter from the Board and as confirmed by the management of the Company, assuming that there are no other changes to the total number of Shares from the Latest Practicable Date to the completion, (i) the shareholding in the Company held by the other public Shareholders will be diluted from approximately 46.68% as at the Latest Practicable Date to approximately 40.49% upon completion and assuming full exercise of the conversion rights attaching to the New Convertible Bonds; and (ii) the shareholding in the Company held by the other public Shareholders will be diluted from approximately 46.68% as at the Latest Practicable Date to approximately 24.72% upon completion and assuming full exercise of the conversion rights attaching to both the New Convertible Bonds and the Relevant Existing Convertible Bonds. However, such dilution effect is for illustration purpose only as, subject to the terms and conditions of the New Convertible Bonds and the Relevant Existing Convertible Bonds. 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\$500,000 by the holder(s) of the New Convertible Bonds to any party, save and except that the New Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company. For the Relevant Existing Convertible Bonds, any transfer of the Relevant Existing Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$400,000) of the principal amount of the Relevant Existing Convertible Bonds. Furthermore, according to the instrument constituting the Relevant Existing Convertible Bonds, the Relevant Existing Convertible Bonds must not be transferred to any person, firm or company which is a connected person (as defined in the Listing Rules) of the Company except in compliance with the applicable requirements under the Listing Rules and the Takeovers Code.

Taking into account (i) the reasons and benefits of the New CB Subscription, the Existing CB Amendment and the Existing CB Waivers previously mentioned in this letter; and (ii) the terms of the New CB Subscription Agreement and the Existing CB Deed of Amendment and the transactions contemplated thereunder, including the grant of the Specific Mandate are considered to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole, we consider that the dilution to the shareholding in the Company held by the other public Shareholders as a result of the issue of the New Convertible Bonds and the Relevant Existing Convertible Bonds to be acceptable.

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8. Financial effects of the New CB Subscription and the Existing CB Amendment

a. Effect on liquidity

As confirmed by the management of the Company, as the New CB Subscription Price in the amount of HK\$55,500,000 payable by the Subscriber under the New CB Subscription Agreement shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount payable by the Company to the Subscriber under the Shareholder's Loans in the amount of HK\$55,500,000, there will be no proceeds arising from the issue of the New Convertible Bonds. Accordingly, there will be no additional cash or fund injected into the Company upon completion. Save for the cash outflow of the expenses for any commissions, discounts or expenses paid to be incurred by the Company in relation to the New CB Subscription and the Existing CB Amendment, there would be no immediate cash outflow to be incurred in the settlement of the principal amount of the Shareholder's Loans and extension of the Relevant Existing Convertible Bonds.

b. Effect on gearing ratio

According to the Annual Report 2023, the gearing ratio of the Group was approximately 0.90 times as at 31 March 2023, calculated based on the Group's total liabilities of approximately HK\$1,243.5 million and the Group's total assets of approximately HK\$1,384.0 million. In any event the holder of the New Convertible Bonds or the transferee of the New Convertible Bonds exercises the conversion rights attaching to the New Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the New Convertible Bonds by the bondholder into New CB Conversion Shares would enlarge the capital base and increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the New Convertible Bonds are not exercised within the maturity period, the gearing position of the Group may be increased due to redemption of the outstanding principal amount on maturity date, which would potentially increase the liability component of the New Convertible Bonds. The management of the Company expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the New Convertible Bonds.

If the outstanding Relevant Existing Convertible Bonds are extended, the fair value of the Relevant Existing Convertible Bonds change to non-current portion. There is no effect on the gearing ratio.

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c. Effect on net assets

According to the Annual Report 2023, the net assets was approximately HK\$140.6 million as at 31 March 2023. As the consideration payable by the Subscriber under the New CB Subscription Agreement will be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount payable by the Company to the Subscriber under the Shareholder's Loans in the amount of HK\$55,500,000, there will be no proceeds arising from the issue of the New Convertible Bonds. The New CB Subscription for the New Convertible Bonds therefore would not lead to any increase in cash and cash equivalents of the Company. The exact amount of the respective fair value of the liability and derivative components of the New Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by an independent valuer at the time of completion of the New CB Subscription for the New Convertible Bonds and the Existing CB Amendment.

d. Effect on earnings

The New Convertible Bonds and the Relevant Existing Convertible Bonds are non-interest-bearing bonds. It is expected that the future earnings of the Company will be reduced by the amount of finance cost incurred in relation to the New Convertible Bonds and the Relevant Existing Convertible Bonds upon their maturity, and/or any early redemption. In addition, the expenses relating to the professional advisory fees and ancillary costs to be incurred by the Company in relation to the New CB Subscription and the Relevant Existing Convertible Bonds will also decrease the earnings of the Group in this regard.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the New CB Subscription and the Relevant Existing Convertible Bonds.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that although the entering into of the New CB Subscription Agreement, the Existing CB Deed of Amendment and the Existing CB Waiver were not in the ordinary and usual course of business of the Group, the proposed issue of the New Convertible Bonds to a connected person of the Company under the Listing Rules, the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandate for the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the New CB Subscription, the Existing CB Amendment, the Existing CB Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution for approving the New CB Subscription Agreement, the Existing CB Deed of Amendment, the Existing CB Deed of Waiver and the transactions contemplated respectively thereunder at the SGM.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital in the Company as at the Latest Practicable Date and immediately following the allotment and issue of the New CB Conversion Shares and the Relevant Existing CB Conversion Shares will be as follows:

- i. As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

HK\$

Authorised:

50,000,000,000 Shares of HK\$0.01 each	500,000,000
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Issued and paid-up share capital:

1,723,193,024 Shares of HK\$0.01 each	17,231,930.24
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- ii. The following table illustrates the share capital structure of the Company immediately following the allotment and issue of the New CB Conversion Shares will be as follows:

HK\$

Authorised:

50,000,000,000 Shares of HK\$0.01 each	500,000,000.00
--	----------------

HK\$

Issued and paid-up share capital:

1,723,193,024	Shares of HK\$0.01 each	17,231,930.24
263,033,175	New CB Conversion Shares to be allotted and issued upon full conversion of the New Convertible Bonds	2,630,331.75
<u>1,986,226,199</u>	Total	<u>19,862,261.99</u>

- iii. The following table illustrates the share capital structure of the Company immediately following the allotment and issue of the New CB Conversion Shares and Relevant Existing CB Conversion Shares will be as follows:

HK\$

Authorised:

50,000,000,000	Shares of HK\$0.01 each	500,000,000.00
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Issued and paid-up share capital:

1,723,193,024	Shares of HK\$0.01 each	17,231,930.24
263,033,175	New CB Conversion Shares to be allotted and issued upon full conversion of the New Convertible Bonds	2,630,331.75
1,267,326,732	Relevant Existing CB Conversion Shares to be allotted and issued upon full conversion of the outstanding Relevant Existing Convertible Bonds	12,673,267.32
<u>3,253,552,931</u>	Total	<u>32,535,529.31</u>

- iv. The following table illustrates the share capital structure of the Company immediately following the allotment and issue of the New CB Conversion Shares, Relevant Existing CB Conversion Shares and Extrawell CB Conversion Shares will be as follows:

HK\$

Authorised:

50,000,000,000	Shares of HK\$0.01 each	500,000,000.00
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Issued and paid-up share capital:

1,723,193,024	Shares of HK\$0.01 each	17,231,930.24
263,033,175	New CB Conversion Shares to be allotted and issued upon full conversion of the New Convertible Bonds	2,630,331.75
1,267,326,732	Relevant Existing CB Conversion Shares to be allotted and issued upon full conversion of the outstanding Existing Convertible Bonds	12,673,267.32
286,000,000	Relevant Extrawell CB Conversion Shares to be allotted and issued upon full conversion of the Extrawell Convertible Bonds	2,860,000.00
<u>3,539,552,931</u>	Total	<u>35,395,529.31</u>

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The New CB Conversion Shares and Relevant Existing CB Conversion Shares when allotted and issued will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

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

As at the Latest Practicable Date, there was no arrangement under which future dividends are or will be waived or agreed to be waived.

Save for the New Convertible Bonds, Existing Convertible Bonds and the Extrawell Convertible Bonds, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

(i) Long position in Shares and underlying Shares of equity derivatives:

Name of Director	Capacity/Nature of interest	Number of Shares	Number of underlying Shares	Percentage of issued Shares (%)
Tang Rong	Beneficial owner	396,200	—	0.03

Save as disclosed above, as at the Latest Practicable Date, no Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or (ii) to be and were entered into in the register that was required to be kept

under Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

(i) Long position in Shares and underlying Shares of equity derivatives:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares	Number of underlying Shares	Percentage of issued Shares (%)
Dr. Mao <i>(note 1)</i>	Beneficial owner Interest of controlled corporation	427,200,000 62,770,810	620,000,000 20,000,000	60.77 4.80
United Gene Holdings Limited <i>(note 1)</i>	Interest of controlled corporation	62,770,810	20,000,000	4.80
Blowindow Gene Development (Hong Kong) Limited <i>(note 1)</i>	Interest of controlled corporation	55,000,000	20,000,000	4.80
JNJ <i>(note 1)</i>	Beneficial owner Interest of controlled corporation	55,000,000 —	— 20,000,000	3.19 1.16

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares	Number of underlying Shares	Percentage of issued Shares (%)
Dr. Xie Yi (note 2)	Interest of controlled corporation	62,770,810	20,000,000	4.80
Ease Gold Investments Limited (note 2)	Interest of controlled corporation	62,770,810	20,000,000	4.80
Good Links Limited (note 3)	Interest of controlled corporation	7,770,810	—	0.45
Victory Trend Limited (note 3)	Interest of controlled corporation	7,770,810	—	0.45
Best Champion Holdings Limited (note 4)	Interest of controlled corporation	7,770,810	—	0.45
China United Gene Investment Holdings Limited (note 5)	Beneficial owner	7,770,810	—	0.45
Chau Yiu Ting	Beneficial owner	428,600,000	—	24.87

Notes:

- These include (i) 427,200,000 ordinary Shares held by Dr. Mao directly; (ii) 620,000,000 and 20,000,000 derivative shares held by Dr. Mao and United Gene respectively, which shall be issued by the Company upon exercise of the conversion rights attached to the Existing Convertible Bonds; (iii) 55,000,000 ordinary Shares held through JNJ. JNJ is an wholly-owned subsidiary of Blowindow Gene Development (Hong Kong) Limited which is also an wholly-owned subsidiary of United Gene Group Limited, which is in turn owned as to 33% by United Gene Holdings Limited. United Gene is wholly-owned by JNJ; (iv) 7,770,810 ordinary shares held through China United Gene Investment Holdings Limited, which is held as to 60% by Best Champion Holdings Limited, and which is in turn held as to 33.5% and 33% by United Gene Holdings

Limited and Victory Trend Limited respectively. Victory Trend Limited is wholly owned by Good Links Limited. United Gene Holdings Limited and Good Links Limited are 100% and 50% held by Dr. Mao respectively.

2. Ease Gold Investments Limited, is wholly-owned by Dr. Xie Yi (“**Dr. Xie**”), which owns 33.50% and 33% equity interests of Best Champion Holdings Limited and United Gene Group Limited respectively.
3. Victory Trend Limited is wholly-owned by Good Links Limited, which is in turn owned as to 50% by Dr. Mao and as to 50% by Dr. Xie. Victory Trend Limited owns 33.00% equity interests of Best Champion Holdings Limited.
4. The equity interest of Best Champion Holdings Limited is owned as to 33.50%, 33.50% and 33.00% by United Gene Holdings Limited, Ease Gold Investments Limited and Victory Trend Limited, respectively.
5. China United Gene Investment Holdings Limited is owned as to 60% by Best Champion Holdings Limited.

Save as disclosed above, so far as is known to any Directors or chief executive of the Company, as at the Latest Practicable Date, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register kept pursuant to Section 336 of the SFO.

- (c) As at the Latest Practicable Date, so far as was known to the Directors, there is no Director who is also a director or employee of any substantial Shareholders.

4. NO MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any members of the Group since 31 March 2023, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses to which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the expert, and its qualification, who has given opinion or advice contained in this circular:

Name of expert	Qualification
Vinco Financial Limited	a corporation licensed to carry on type 1 and type 6 regulated activities under the SFO

Vinco Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice, and references to its name and/or logo in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Vinco Financial was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 March 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023 being the date to which the latest published audited consolidated accounts of the Group were made up.

9. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of the operations or financial conditions of the Group.

10. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Unit No. 2002, 20/F., On Hong Commercial Building, 145 Hennessy Road, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Poon Hon Yin. Mr. Poon is qualified as a Certified Public Accountant registered with the Hong Kong Institute of Certified Public Accountants and is also a fellow member of the Association of Chartered Certified Accountants. Mr. Poon has been a managing director of Probiz CPA Limited since 2006.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange (www.hkexnews.hk) and the websites of the Company (www.ipb.asia / www.irasia.com/listco/hk/ipb) from the date of this circular up to and including the date of the SGM, being a period of not less than 14 days:

- (i) the New CB Subscription Agreement;

- (ii) the Existing CB Deed of Amendment;
- (iii) the Existing CB Deed of Waiver;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 54 to 55 of this circular;
- (v) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 56 to 110 of this circular;
- (vi) the written consent as referred to in the section headed “Expert’s Qualification and Consent” in this Appendix; and
- (vii) this circular.

NOTICE OF SGM



INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED

領航醫藥及生物科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 399)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Innovative Pharmaceutical Biotech Limited (the “**Company**”) will be held at The Function Room 1-2, 2/F The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Friday, 24 May 2024 at 3 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

1. “THAT:

- (a) the conditional subscription agreement (the “**New CB Subscription Agreement**”) (a copy of which has been produced to the Meeting and marked “A” and initialled by the chairman of the Meeting for the purpose of identification) dated 27 July 2023(as amended and supplemented by the extension letters dated 30 October 2023, 30 November 2023, 29 December 2023, 29 February 2024 and 28 March 2024) and entered into between the Company as issuer and Dr. Mao Yu Min (“**Dr. Mao**”) as subscriber in relation to the subscription of convertible bonds (the “**New Convertible Bonds**”) in the principal amount of HK\$55,500,000 by Dr. Mao, and the transactions contemplated thereunder (including but not limited to the issue of the New Convertible Bonds and the allotment and issue of the conversion shares (“**New CB Conversion Shares**”) upon exercise of the conversion rights attaching to the New Convertible Bonds) be and are hereby approved, confirmed and ratified;
- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the new shares (the “**New CB Conversion Shares**”) of the Company to be allotted and issued upon the exercise of the conversion rights attached to the New Convertible Bonds, the directors (the “**Directors**”) of the Company be and are hereby granted a

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specific mandate to allot and issue the New CB Conversion Shares upon the exercise of the conversion rights attached to the New Convertible Bonds in accordance with the terms and conditions of the New Convertible Bonds; and

- (c) any Director be and is hereby authorised to do all such things and acts and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the New CB Subscription Agreement and the transactions contemplated thereunder.”

2. “THAT:

- (a) the deed of amendment (the “**Existing CB Deed of Amendment**”) (a copy of which has been produced to the Meeting and marked “B” and initialled by the chairman of the Meeting for the purpose of identification) (as amended and supplemented by the supplemental deed of amendment dated 22 December 2023 (copy of which has been produced to the Meeting and marked “C” and initialled by the chairman of the Meeting for the purpose of identification) and the extension letter dated 29 December 2023) dated 15 August 2023 entered into between the Company, as the issuer, and Dr. Mao, JNJ Investments Limited (“**JNJ**”), and United Gene International Holdings Group Limited (“**United Gene**”, together with Dr. Mao and JNJ, the “**Existing CB Bondholders**”), as the bondholders, in relation to the proposed amendment to the terms of the convertible bonds (the “**Relevant Existing Convertible Bonds**”) in the aggregate outstanding principal amount of HK\$256,000,000 issued by the Company in batches on 25 October 2013, 27 December 2013 and 24 April 2014 respectively and all the transactions contemplated thereunder and all other matters in connection herewith and incidental thereto, be and are hereby approved, confirmed and ratified;
- (b) the deed of waiver (the “**Existing CB Deed of Waiver**”) (a copy of which has been produced and marked “D” and initialled by the chairman of the Meeting for the purpose of identification) dated 15 August 2023 entered into between the Company, as the issuer, and Dr. Mao and United Gene, as the bondholders, in relation to the waiver granted by Dr. Mao and United Gene in respect of the obligation of the Company to pay the outstanding principal amount of the Relevant Existing Convertible Bonds in the aggregate principal amount of HK\$256,000,000, which unless extended, HK\$236,800,000 became due on 24 October 2023 and HK\$19,200,000 became due on 26 December 2023, and all the transactions contemplated thereunder and all other matters in connection herewith and incidental thereto, be and are hereby approved, confirmed and ratified;

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- (c) subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares (the “**Relevant Existing CB Conversion Shares**”) of the Company to be allotted and issued upon exercise of the conversion rights attached to the Relevant Existing Convertible Bonds, the Directors be and are hereby granted a specific mandate to allot and issue the Relevant Existing CB Conversion Shares upon the exercise of the conversion rights attached to the Relevant Existing Convertible Bonds in accordance with the terms and conditions of the Relevant Existing Convertible Bonds; and
- (d) any Director be and is hereby authorised to do all such things and acts and execute all such documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Existing CB Deed of Amendment and the transactions contemplated thereunder.”

By order of the Board
Innovative Pharmaceutical Biotech Limited
Tang Rong
Executive Director

Hong Kong, 9 May 2024

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

***Head office and principal place
of business:***

Unit No. 2002, 20/F.
On Hong Commercial Building
145 Hennessy Road
Wan Chai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

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3. To be valid, the form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than Wednesday, 22 May 2024 at 3:00 p.m. (Hong Kong Time).
4. The register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024 (both days inclusive) to determine the eligibility of the Shareholders to attend and vote at the SGM. The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be on Friday, 24 May 2024. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than Monday, 20 May 2024 at 4:30 p.m. (Hong Kong time).
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
6. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the form of proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises Ms. Jiang Nian (chairman & non-executive Director), Mr. Gao Yuan Xing (executive Director), Mr. Tang Rong (executive Director), Mr. Cheng Tak Yiu (executive Director), Ms. Xiao Yan (non-executive Director), Ms. Wu Yanmin (non-executive Director), Ms. Chen Weijun (independent non-executive Director), Mr. Chen Jinzhong (independent non-executive Director) and Mr. Wang Rongliang (independent non-executive Director).