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## **MERDEKA FINANCIAL GROUP LIMITED**

### **領智金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8163)**

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;**
- (II) CONNECTED TRANSACTION — SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND**
- (III) CONNECTED TRANSACTION — PROPOSED AMENDMENTS TO THE TERMS OF THE 2008 CONVERTIBLE BONDS**

**Financial adviser to the Company**



**Underwriter to the Rights Issue**



## **(I) PROPOSED RIGHTS ISSUE**

The Company proposes to implement the Rights Issue on the basis of four (4) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.110 per Rights Share, to raise not less than approximately HK\$115.37 million before expenses (assuming no Outstanding Share Options being exercised), and not more than approximately HK\$115.38 million before expenses (assuming all Outstanding Share Options being exercised) by issuing not less than 1,048,802,876 Rights Shares and not more than 1,048,935,672 Rights Shares.

Qualifying Shareholders are entitled to apply for Rights Shares in excess of their respective entitlements under the Rights Issue.

The estimated net proceeds from the Rights Issue will be not less than approximately HK\$110.80 million and not more than approximately HK\$110.81 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.106. The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$55.00 million for the partial repayment of the 2008 Convertible Bonds to Mr. Cheung; (ii) approximately HK\$12.64 million for repayment of the Mr. Cheung Advance; (iii) approximately HK\$14.86 million for repayment of the 2014 PN; and (iv) the remaining amount of approximately HK\$28.30 million for general working capital of the Group and facilitate the Group to capture potential investment opportunities which may arise in future.

The Rights Issue will be fully underwritten by the Underwriter. Details of the underwriting arrangement are set out in the paragraph headed “The Underwriting Agreement” in this announcement.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Thursday, 20 February 2020.

The last day of dealing in the Shares on cum-rights basis is Tuesday, 18 February 2020. The Shares will be dealt with on an ex-rights basis from Wednesday, 19 February 2020.

### **Irrevocable undertakings from Team Sunny and the CB Holders**

As at the date of this announcement, Team Sunny (a company which is wholly and ultimately owned by Mr. Wong) is beneficially interested in an aggregate of 47,164,000 Shares, representing approximately 17.99% of the issued share capital of the Company. Pursuant to the Team Sunny Irrevocable Undertaking, Team Sunny has given an irrevocable undertaking in favour of the Company and the Underwriter, that (i) it will subscribe, or procure its nominee(s) to subscribe, for 188,656,000 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 47,164,000 Shares beneficially held by it; (ii) it will not dispose of the 47,164,000 Shares comprising the current shareholding in the Company owned by Team Sunny and such Shares, will remain beneficially owned by it up to and including the Record Date; (iii) it will lodge its acceptance of the 188,656,000 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iv) it will apply for 154,910,000 excess Rights Shares in excess of its entitlement under the Rights Issue in accordance with the terms of the Prospectus and EAF(s).

As at the date of this announcement, (i) Ivana, Mr. Jin and Mr. Shang are the holders of the 2008 Convertible Bonds in the respective principal amount of HK\$110,000,000, HK\$7,034,000 and HK\$7,034,000 in aggregate, which 115,789,473, 7,404,211 and 7,404,211 Shares respectively will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.95 per 2008 Conversion Share. Pursuant to the CB Holders' Irrevocable Undertakings, each of the CB Holders has irrevocably undertaken to the Company and the Underwriter, that (i) he/it will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds held by him/it up to and including the Record Date; and (ii) that the 2008 Convertible Bonds held by him/it will remain registered in the name of and beneficially owned by him/it up to and including the Record Date.

Save for the Team Sunny Irrevocable Undertaking and the CB Holders' Irrevocable Undertakings, as at the date of this announcement, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

### **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 11 February 2020 to Monday, 17 February 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Friday, 21 February 2020 to Thursday, 27 February 2020 (both dates inclusive) for determining the Shareholders' entitlements to the proposed Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

### **(II) SUBSCRIPTION OF THE TEAM SUNNY CONVERTIBLE BONDS UNDER TEAM SUNNY SPECIFIC MANDATE**

The Board announces that on 10 January 2020 (after trading hours), the Company entered into the Subscription Agreement with Team Sunny pursuant to which Team Sunny has conditionally agreed to subscribe and the Company has conditionally agreed to issue the Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651 (which are convertible into Team Sunny Conversion Shares at the Team Sunny Conversion Price of HK\$0.110 per Share (subject to adjustments)) for the Debt Settlement. The subscription amount payable by Team Sunny under the Subscription Agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the Subscription to facilitate the set-off); and (ii) the outstanding principal amount and accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong Facilities as at 10 January 2020 payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the Subscription to facilitate the set-off).

### **(III) PROPOSED AMENDMENTS TO THE TERMS OF THE 2008 CONVERTIBLE BONDS**

The Board announces that on 10 January 2020 (after trading hours), the Company and the CB Holders entered into the Fourth Supplemental Deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 Convertible Bonds such that (a) the maturity date of the 2008 Convertible Bonds be extended for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the conversion price of the 2008 Convertible Bonds be revised from HK\$0.95 per 2008 Conversion Share to HK\$0.110 per 2008 Conversion Share with effect from 13 August 2020 (subject to adjustments). Save for the 2008 CB Terms Amendments, all other terms of the 2008 Convertible Bonds shall remain unchanged and valid.

## **GEM LISTING RULES IMPLICATIONS**

### **Rights Issue**

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 months period immediately preceding this announcement, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue and the transactions contemplated thereunder.

As at the date of this announcement, there is no controlling Shareholder as defined under the GEM Listing Rules. Mr. Cheung, being the Chairman, an executive Director and the chief executive officer of the Company, is the legal and beneficial owner of 55,781 Shares, representing approximately 0.02% of the entire issued share capital of the Company. As such, Mr. Cheung and his associates shall abstain from voting in favour of the proposed Rights Issue and the transactions contemplated thereunder at the EGM.

### **Connected Transactions**

#### ***Subscription Agreement***

As at the date of this announcement, Team Sunny (a company which is wholly and ultimately owned by Mr. Wong) is a substantial shareholder of the Company and is beneficially interested in 47,164,000 Shares, representing approximately 17.99% of the entire issued share capital of the Company. Accordingly, Team Sunny is a connected person of the Company and the Subscription constitutes a connected transaction under Rule 20.22(6) of the GEM Listing Rules and will be subject to reporting and announcement requirements, as well as the approval of the Independent Shareholders at the EGM by way of poll. Mr. Wong, Team Sunny and their respective associates will abstain from voting for the relevant resolutions approving the Subscription Agreement at the EGM.

#### ***2008 CB Terms Amendments***

Pursuant to Rule 22.03 of the GEM Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. An application for the said approval will be made by the Company to the Stock Exchange.

As Ivana is a company controlled and owned by a trust founded by Mr. Cheung, the Chairman, an executive Director and the chief executive officer of the Company, Ivana is therefore a connected person of the Company under the GEM Listing Rules. The 2008 CB Terms Amendments under the Fourth Supplemental Deed constitute a connected transaction of the Company. Therefore, the Fourth Supplemental Deed and the transactions contemplated thereunder (including but not limited to the 2008 CB Terms Amendments and the allotment and issue of the 2008 Conversion Shares upon exercise of the conversion rights attached to the amended 2008 Convertible Bonds) and the grant of the 2008 CB Specific Mandate are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the GEM Listing Rules. Mr. Cheung and Ivana together with their respective associates will abstain from voting in respect of the resolution(s) approving the 2008 CB Terms Amendments at the EGM.

An application will be made to the Stock Exchange for its approval of the listing of, and permission to deal in, (i) the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the proposed Rights Issue; (ii) the Team Sunny Conversion Shares pursuant to the terms and conditions of the Team Sunny Convertible Bonds; and (iii) the 2008 Conversion Shares pursuant to the terms and conditions of the outstanding 2008 Convertible Bonds (as amended by the Fourth Supplemental Deed).

#### **GENERAL**

Mr. Cheung, who is the Chairman, an executive Director and the chief executive officer of the Company, has abstained from voting in the Board meeting for approving the proposed Rights Issue and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the proposed Rights Issue, Subscription Agreement and the 2008 CB Terms Amendments respectively who are required to abstain from voting in the Board meeting in respect of the proposed Rights Issue, Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder.

The Independent Board Committee will be established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the proposed Rights Issue, Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder, including but not limited to the issue of the Team Sunny Convertible Bonds, the allotment and issue of the Team Sunny Conversion Shares and the 2008 Conversion Shares, and the grant of the Team Sunny Specific Mandate and the 2008 CB Specific Mandate.

An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A Circular containing, among other things, (i) further information on the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or about Friday, 31 January 2020. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder, including but not limited to the issue of the Team Sunny Convertible Bonds, the allotment and issue of the Team Sunny Conversion Shares and the 2008 Conversion Shares, and the grant of the Team Sunny Specific Mandate and the 2008 CB Specific Mandate.

The Team Sunny Conversion Shares and the 2008 Conversion Shares will be issued under the Team Sunny Specific Mandate and the 2008 CB Specific Mandate respectively to be sought at the EGM.

Subject to the approval of the proposed Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further information regarding, among other things, the proposed Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on or before Friday, 28 February 2020. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

#### **WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the proposed Rights Issue may or may not proceed.**

**Completion of the Subscription Agreement is subject to the satisfaction of the conditions precedent set out in the Subscription Agreement. Accordingly, the issue of the Team Sunny Convertible Bonds may or may not proceed.**

**If any of the conditions precedent to the completion under the Fourth Supplemental Deed are not satisfied, the Fourth Supplemental Deed will lapse and the 2008 CB Terms Amendments will not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **(I) PROPOSED RIGHTS ISSUE**

The Company proposes to implement the proposed Rights Issue on the basis of four (4) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.110 per Rights Share, to raise not less than approximately HK\$115.37 million before expenses (assuming no Outstanding Share Options being exercised), and not more than approximately HK\$115.38 million before expenses (assuming all Outstanding Share Options being exercised) by issuing not less than 1,048,802,876 Rights Shares and not more than 1,048,935,672 Rights Shares.

On 10 January 2020 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

### **Issue statistics**

Basis of the Rights Issue	:	Four (4) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.110 per Rights Share
Number of Shares in issue as at the date of this announcement:	:	262,200,719 Shares
Number of Rights Shares	:	Not less than 1,048,802,876 Rights Shares (assuming no Outstanding Share Options being exercised) and not more than 1,048,935,672 Rights Shares (assuming all Outstanding Share Options being exercised)
Aggregate nominal value of the Rights Share:	:	Not less than HK\$10,488,028.76 and not more than HK\$10,489,356.72



Number of Rights Shares underwritten by the Underwriter : all the Rights Shares other than those provisionally allotted to and undertaken to be subscribed by Team Sunny pursuant to the Team Sunny Irrevocable Undertaking, being not less than 705,236,876 Rights Shares and not more than 705,369,672 Rights Shares

Enlarged number of Shares upon completion of the Rights Issue : not less than 1,311,003,595 Shares and not more than 1,311,169,590 Shares

As at the date of this announcement, there are (i) 33,199 Outstanding Share Options which are exercisable from 30 May 2012 to 29 May 2022 and entitle the Options Holders to subscribe for 33,199 Shares under the Share Option Scheme; and (ii) 2008 Convertible Bonds in the aggregate principal amount of HK\$124,068,000, which 130,597,895 Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.95 per 2008 Conversion Share. Each of the CB Holders has provided the CB Holders' Irrevocable Undertakings.

Save as disclosed above, as at the date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, 1,048,802,876 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 400.00% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 80.00% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming no Shares are issued or repurchased, other than as a result of the issue of new Shares upon exercise of the Outstanding Share Options in full by the Options Holders, from the date of this announcement up to and including the Record Date, 1,048,935,672 Rights Shares will be allotted and issued upon completion of the proposed Rights Issue, representing approximately 400.05% of the existing issued share capital of the Company and approximately 80.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the issue of new Shares upon full exercise of the Outstanding Share Options.

## Subscription Price

The Subscription Price is HK\$0.110 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 8.33% to the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) is equivalent to the average closing price of HK\$0.110 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 2.80% over the average closing price of HK\$0.107 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 1.79% to the theoretical ex-rights price of HK\$0.112 per Share based on the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (e) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 6.67%, represented by the theoretical diluted price of approximately HK\$0.112 per Share to the benchmarked price of approximately HK\$0.120 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.120 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.106 per Share).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section headed "Reasons for and benefits of the proposed Rights Issue and use of proceeds" in this announcement. The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the Circular after taking into account the recommendation of the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the

Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; and (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

The estimated net subscription price per Rights Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) after deducting the related expenses of the proposed Rights Issue will be approximately HK\$0.106.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 20 February 2020.

The last day of dealing in the Shares on cum-rights basis is Tuesday, 18 February 2020. The Shares will be dealt with on an ex-rights basis from Wednesday, 19 February 2020.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

## **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the date of this announcement, there are 5 Overseas Shareholders with registered addresses situated in the United States of America.

The basis for excluding the Non-Qualifying Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus (without the PAL and the EAF) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 11 February 2020 to Monday, 17 February 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Friday, 21 February 2020 to Thursday, 27 February 2020 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be four (4) Rights Shares for every one (1) existing Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date, being not less than 1,048,802,876 Rights Shares and not more than 1,048,935,672 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Fractions of the Rights Shares**

On the basis of provisional allotment of four (4) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the proposed Rights Issue.

### **Odd lots matching services**

In order to alleviate the difficulties arising from the existence of odd lots of Rights Shares arising from the proposed Rights Issue, the Company will arrange the odd lots matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Rights Shares. Details of the odd lots arrangement will be set out in the Circular to be despatched to the Shareholders in respect of, among others, the Right Issue and the Underwriting Agreement.

### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 23 March 2020. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Monday, 23 March 2020 by ordinary post to the applicants at their own risk, to their registered addresses.

## Excess application for the Rights Shares

Under the proposed Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Non-Qualifying Shareholders; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Friday, 13 March 2020.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a *pro rata* basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 10.31(3)(b) of the GEM Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the

relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Thursday, 20 February 2020.

Team Sunny has undertaken that it will make excess application by means of EAF(s) for 154,910,000 Rights Shares which are not taken up by Qualifying Shareholders (excluding the Rights Shares provisionally allotted to and undertaken to be subscribed by Team Sunny pursuant to the Team Sunny Irrevocable Undertaking).

### **Application for listing of the Rights Shares**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 20,000 Shares in one board lot.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

## Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

## THE UNDERWRITING AGREEMENT

### The Underwriting Agreement

On 10 January 2020 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite all Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement, other than those Rights Shares provisionally allotted to and undertaken to be subscribed by Team Sunny pursuant to Team Sunny Irrevocable Undertaking.

The principal terms and conditions of the Underwriting Agreement are as follows:

Date	:	10 January 2020 (after trading hours)
Underwriter	:	Head & Shoulders Securities Limited
Number of Rights Shares	:	Not less than 1,048,802,876 Rights Shares (assuming no Outstanding Share Options being exercised) and not more than 1,048,935,672 Rights Shares (assuming all Outstanding Share Options being exercised)
Underwriting commitment of the Underwriter	:	All the Rights Shares other than those provisionally allotted to and undertaken to be subscribed by Team Sunny pursuant to the Team Sunny Irrevocable Undertaking, being not less than 705,236,876 Rights Shares (assuming no Outstanding Share Options being exercised) and not more than 705,369,672 Rights Shares (assuming all Outstanding Share Options being exercised)
		Accordingly, taking into account the Team Sunny Irrevocable Undertaking and the CB Holders' Irrevocable Undertakings, the Rights Issue is fully underwritten
Underwriting Commission	:	2.0% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge,



information and belief, having made all reasonable enquiries, as at the date of this announcement, the Underwriter and its associates do not hold any Shares, and the Underwriter and its ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons as defined under the GEM Listing Rules.

The terms of the Underwriting Agreement, including the underwriting commission of 2.0%, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors (excluding the members of the Independent Board Committee who will form their views after considering the advice of the Independent Financial Adviser) consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Conditions of the Underwriting Agreement**

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (c) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- (d) the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

- (e) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (f) the compliance with and performance of all the undertakings and obligations of Team Sunny, or any of its nominee(s), under the Team Sunny Irrevocable Undertaking;
- (g) the compliance with and performance of all the undertakings and obligations of all the CB Holders under the CB Holders' Irrevocable Undertakings;
- (h) there being no event which would have rendered any of the warranties given by the Company under the Underwriting Agreement untrue or incorrect in any material respect occurring prior to the Latest Time for Termination;
- (i) the Shares remaining listed on GEM of the Stock Exchange at all times prior to the settlement date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance; and
- (j) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

Save for the condition (e) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

#### **Termination of the Underwriting Agreement**

If at any time on or before the Latest Time for Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international

outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (vi) the Prospectus Documents when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (vii) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (ix) any moratorium, suspension or material restriction on trading of the shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

**If the Underwriter or the Company terminates the Underwriting Agreement, the proposed Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.**

#### **Irrevocable undertakings from Team Sunny and the CB Holders**

As at the date of this announcement, Team Sunny (a company which is wholly and ultimately owned by Mr. Wong) is beneficially interested in an aggregate of 47,164,000 Shares, representing approximately 17.99% of the issued share capital of the Company. Pursuant to the Team Sunny Irrevocable Undertaking, Team Sunny has given an irrevocable undertaking in favour of the Company and the Underwriter, that (i) it will subscribe, or procure its nominee(s) to subscribe, for 188,656,000 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 47,164,000 Shares beneficially held by it; (ii) it will not dispose of the 47,164,000 Shares comprising the current shareholding in the Company owned by Team Sunny and such Shares, will remain beneficially owned by it up to and including the Record Date; (iii) it will lodge its acceptance of the 188,656,000 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iv) it will apply for 154,910,000 excess Rights Shares in excess of its entitlement under the Rights Issue in accordance with the terms of the Prospectus and EAF(s).

As at the date of this announcement, (i) Ivana, Mr. Jin and Mr. Shang are the holders of the 2008 Convertible Bonds in the respective principal amount of HK\$110,000,000, HK\$7,034,000 and HK\$7,034,000 in aggregate, which 115,789,473, 7,404,211 and 7,404,211 Shares respectively will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.95 per 2008 Conversion Share. Pursuant to the CB Holders' Irrevocable Undertakings, each of the CB Holders has irrevocably undertaken to the Company and the Underwriter, that (i) he/it will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds held by him/it up to and including the Record Date; and (ii) that the 2008 Convertible Bonds held by him/it will remain registered in the name of and beneficially owned by him/it up to and including the Record Date.

Save for the Team Sunny Irrevocable Undertaking and the CB Holder's Irrevocable Undertakings, as at the date of this announcement, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

#### **EXPECTED TIMETABLE**

Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

<b>Expected Timetable</b>	<b>2020</b>
<b>Announcement of the Rights Issue</b>	Friday, 10 January
Expected despatch date of the Circular, proxy form and notice of the EGM	Friday, 31 January
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 10 February
Closure of the register of members (both dates inclusive)	Tuesday, 11 February — Monday, 17 February
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Saturday, 15 February
Record date for determining attendance and voting at the EGM	Monday, 17 February
<b>Expected date and time of the EGM</b>	11:00 a.m. on Monday, 17 February
Announcement of the poll results of the EGM	Monday, 17 February

**Expected Timetable****2020**

Last day of dealings in the Shares on cum-rights basis	Tuesday, 18 February
Ex-date (the first day of dealings in the Shares on ex-rights basis)	Wednesday, 19 February
Latest time for lodging transfers of shares to qualify for the Rights Issue	4:30 p.m. on Thursday, 20 February
Register of members of the Company closes (both days inclusive)	Friday, 21 February — Thursday, 27 February
Record date for determining entitlements to the Rights Issue	Thursday, 27 February
Register of members of the Company re-opens	Friday, 28 February
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only)	Friday, 28 February
First day of dealing in nil-paid Rights Shares	9:00 a.m. on Tuesday, 3 March
Latest time for splitting of the PAL	4:30 p.m. on Thursday, 5 March
Last day of dealings in nil-paid Rights Shares	Tuesday, 10 March
<b>Latest Time for Acceptance and payment for Rights Shares and application for excess Rights Shares</b>	4:00 p.m. on Friday, 13 March
Latest Time for the Termination of the Underwriting Agreement and for the Rights Issue to become unconditional (if applicable)	4:00 p.m. on Monday, 16 March
Announcement of the allotment results	Friday, 20 March
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications for excess Rights Shares	Monday, 23 March
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 24 March

## **Expected Timetable**

**2020**

Designated broker starts to stand in the market to provide matching services for odd lots of the Shares Tuesday, 24 March

Designated broker ceases to stand in the market to provide matching services for odd lots of the Shares Wednesday, 15 April

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

## **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 13 March 2020. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 13 March 2020. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Friday, 13 March 2020, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## **REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS**

The Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii)

corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

The estimated net proceeds of the proposed Rights Issue will be not less than approximately HK\$110.80 million (assuming no new Shares having been allotted and issued from the exercise of the Outstanding Share Options on or before the Record Date), and not more than approximately HK\$110.81 million (assuming 33,199 new Shares having been allotted and issued upon full exercise of the Outstanding Share Options by the Options Holders on or before the Record Date). The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.106. The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$55.00 million for a partial repayment of the 2008 Convertible Bonds to Mr. Cheung; (ii) approximately HK\$12.64 million for repayment of the Mr. Cheung Advance; (iii) approximately HK\$14.86 million for repayment of the 2014 PN; and (iv) the remaining amount of approximately HK\$28.30 million of the net proceeds for general working capital of the Group and facilitate the Group to capture potential investment opportunities which may arise in future.

As at the date of this announcement, the Company is indebted to Mr. Cheung an aggregate amount of approximately HK\$122.64 million, being the 2008 Convertible Bonds with a principal amount of HK\$110.00 million and the Mr. Cheung Advance of approximately HK\$12.64 million. Given that (i) the maturity date of the 2008 Convertible Bonds has already been extended for three times as mentioned in the 2008 CB Circulars (as defined below of this announcement) and the Mr. Cheung Advance was meant to be short-term bridge loans, the Company has been seeking alternative financings for settling the debt to Mr. Cheung. In addition, the 2014 PN expired in 2017 and it is the Company's obligation to settle the 2014 PN as soon as the circumstances allow.

However, the Group has been loss making for the recent financial years and as noted from the third quarterly report for the nine months ended 30 September 2019, the Group recorded net liabilities position. Given the Group's financial position, the Company was unable to obtain any debt financing at terms acceptable to the Company. In addition, the Company has utilised its general mandate to issue Shares by way of placing on 12 July 2019.

The Board considers that the Rights Issue represents an opportunity for the Company to increase its liquidity, strengthen its capital base and enhance its financial position by meeting its immediate funding needs through repayment of the aforementioned existing debt as a continuous effort of the Board to improve the financial position of the Company. The Board has also considered fund raising by issuing debt security or debt financing but the Board considers that any further debt



financing or borrowings would potentially incur further interest expenses of the Company and it is the intention of the Board to reduce the interest expenses of the Company.

As further noted from the third quarterly report for the nine months ended 30 September 2019, the Group has strengthened its financial service business in 2019. In August 2019, the Group, through Merdeka Corporate Finance Limited, a wholly-owned subsidiary of the Company, has obtained a license from the Securities and Futures Commission of Hong Kong to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO and expanded its financial service business into the provision of advisory services on corporate finance. In addition, the Group has also completed the acquisition of the remaining 49% share interest in Merdeka Investment Management Limited (formerly known as Heng Asset Management Limited) (“**Merdeka Investment**”) on 4 November 2019, which then became a wholly-owned subsidiary of the Company which carries out Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined under the SFO. As at the date of this announcement, Merdeka Investment is in discussion with potential investors and/or private funds to act as investment manager to provide discretionary investment management solutions in return for management fees. It is the strategy of the Board to actively seek for business opportunities in relation to the financial service industry, including but not limited to, businesses related to Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and if suitable opportunities arise, the Group also has the intention to expand into the financial technology industry in order to capture the potential growth of such segment.

Taking into account (i) the Company’s obligations to repay the amount due to Mr. Cheung (to the extent possible) and the due promissory notes; (ii) the proposed Rights Issue as a continuous effort of the Board to improve the financial position of the Company and would minimize the future finance costs of the Company as compared to debt financing; (iii) the Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro-rata provisional entitlement of the Rights Shares and hence avoids dilution in their shareholdings in the Company and participate in the enlargement of the capital base of the Company, while continue to participate in the possible future development of the Group should they wish to do so; and (iv) the Rights Issue as an important and viable financing alternative for the Company to cater for immediate funding needs while allowing the Company to preserve the existing resources of the Group for business operations of the existing businesses of the Group and capturing any potential investment opportunities thereby enhancing the overall value of the Shares, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

## (II) SUBSCRIPTION OF THE TEAM SUNNY CONVERTIBLE BONDS UNDER TEAM SUNNY SPECIFIC MANDATE

The Board announces that on 10 January 2020 (after trading hours), the Company entered into the Subscription Agreement with Team Sunny pursuant to which Team Sunny has conditionally agreed to subscribe and the Company has conditionally agreed to issue the Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651 (which are convertible into Team Sunny Conversion Shares at the Team Sunny Conversion Price of HK\$0.110 per Share (subject to adjustments)) for the Debt Settlement. The subscription amount payable by Team Sunny under the Subscription Agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the Subscription to facilitate the set-off); and (ii) the outstanding principal amount and accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong Facilities as at 10 January 2020 payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the Subscription to facilitate the set-off).

The principal terms of the Team Sunny Convertible Bonds are set out below.

Issuer	:	The Company
Subscriber	:	Team Sunny, which is principally engaged in investment holding
Issue price	:	100% of the principal amount
Principal amount	:	HK\$39,805,651
Conversion price	:	HK\$0.110 per Team Sunny Conversion Share, subject to adjustments
Adjustment events	:	The Team Sunny Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

(a) ***Consolidation or sub-division of the Shares***

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Team Sunny Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

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

(b) *Capitalisation of profits or reserves*

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Team Sunny Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

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

(c) *Capital distribution*

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Team Sunny Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

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

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such right which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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

(d) *Issue of Shares for subscription by way of rights*

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the Team Sunny Conversion Price shall be adjusted by multiplying the Team Sunny Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per share and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective from the commencement of the day next following the record date for the offer or grant.

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holders of the Team Sunny Convertible Bonds (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 it had exercised the conversion rights under the Team Sunny Convertible Bonds registered in their holder of the Team Sunny Convertible Bonds holds out of the total principal amount of the Team Sunny Convertible Bonds outstanding at the time of the proposed redemption.

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

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the Team Sunny Conversion Price shall be adjusted by multiplying the Team Sunny Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

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

(bb) *Modification of rights of convertible or exchangeable securities*

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Team Sunny Conversion Price shall be adjusted by multiplying the Team Sunny Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

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



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

(f) *Issue of Shares being made wholly for cash at a price less than 80% of the market price per Share*

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the Team Sunny Conversion Price shall be adjusted by multiplying the Team Sunny Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued.

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

- (g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Team Sunny Conversion Price shall be adjusted in such manner as may be determined by the independent auditors. Such adjustment shall become effective on the date of issue.

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

- Interest rate : Zero coupon
- Team Sunny Conversion Shares : Based on the principal amount of the Team Sunny Convertible Bonds of HK\$39,805,651, the Team Sunny Convertible Bonds is convertible into 361,869,554 Team Sunny Conversion Shares at the initial conversion price of HK\$0.110 per Conversion Share (subject to adjustments)
- Conversion period : The period commencing from the expiry of the Record Date or termination or lapse of the Rights Issue, whichever is the earlier up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the maturity date of the Team Sunny Convertible Bonds

- Conversion rights and restrictions : The holder of the Team Sunny 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 Team Sunny Convertible Bonds registered in its name into the Team Sunny Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Team Sunny Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Team Sunny Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the Team Sunny Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules
- 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 holders of the Team Sunny Convertible Bonds, propose to the holders to redeem the outstanding Team Sunny Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Team Sunny Convertible Bonds at any time after the date of issue of the Team Sunny Convertible Bonds up to and including the date falling seven (7) days immediately before the maturity date of the Team Sunny Convertible Bonds
- Ranking of Team Sunny Conversion Shares : The Team Sunny Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date
- Maturity date : the date falling on the third anniversary of the date of issue of the Team Sunny Convertible Bonds

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

### **Conversion Shares**

Upon full conversion of the Team Sunny Convertible Bonds at the Team Sunny Convertible Bonds Subscription Price of HK\$0.110 each (subject to adjustments), a maximum of 361,869,554 Team Sunny Conversion Shares will be allotted and issued which represents:

- (i) approximately 138.01% of the issued share capital of the Company as at the date of this announcement;
- (ii) approximately 27.60% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares);
- (iii) approximately 21.63% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares) and the allotment and issue of the Team Sunny Conversion Shares; and

- (iv) approximately 15.73% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares) and the allotment and issue of the Team Sunny Conversion Shares and the outstanding 2008 Conversion Shares.

### **Conversion Price**

The Team Sunny Conversion Price of HK\$0.110 (subject to adjustments) per Team Sunny Conversion Share represents:

- (a) a discount of approximately 8.33% to the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) is equivalent to the average closing price of approximately HK\$0.110 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of approximately 2.80% over the average closing price of approximately HK\$0.107 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

The Team Sunny Conversion Price of HK\$0.110 (subject to adjustments) per Team Sunny Conversion Share was arrived at after arm's length negotiations between the Company and Team Sunny with reference to the recent trading prices of the Shares. The Directors (excluding the independent non-executive Directors who will form an opinion after taking into account the recommendation of the Independent Financial Adviser) consider that the Team Sunny Conversion Price pursuant to the Subscription Agreement and the reasons for and benefits of the Subscription are fair and reasonable and are in the interests of the Shareholders as a whole.

### **Conditions precedent**

The completion of the Subscription Agreement is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolutions at the EGM in compliance with the requirements of the GEM Listing Rules approving (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the issue of the Team Sunny Convertible Bonds and the grant of the Team Sunny Specific Mandate for the allotment and issue of the Team Sunny Conversion Shares to Team Sunny in accordance with the terms of the Subscription Agreement;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

- (iii) all necessary consents and approvals required to be obtained on the part of Team Sunny in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Team Sunny Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Team Sunny Convertible Bonds;
- (v) none of the warranties given by the Company thereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vi) none of the warranties given by the Team Sunny thereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

The Company shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (i), (ii), (iv) and (v) above as soon as practicable and in any event on or before the Subscription Long Stop Date. Team Sunny shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (iii) and (vi) above as soon as practicable and in any event on or before the Subscription Long Stop Date. The conditions precedent set out in conditions (i), (ii), (iii) and (iv) above are incapable of being waived. Team Sunny may at any time by notice in writing to the Company waive the condition set out in condition (v) above. The Company may at any time by notice in writing to Team Sunny to waive the condition set out in condition (vi) above.

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

### **Completion**

The completion of the Subscription Agreement shall take place at or before 4:00 p.m. on the third Business Day (or such other date as agreed by the Company and Team Sunny) after fulfilment of all the conditions precedent set out above.

### **REASONS FOR THE SUBSCRIPTION**

The subscription amount payable by Team Sunny under the Subscription Agreement shall be satisfied by way of offsetting (i) the principal amount of HK\$8,000,000 under the 2019 PN payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the Subscription to facilitate the

set-off) and (ii) the outstanding principal amount and accrued interest in an aggregate amount of HK\$31,805,651 under Mr. Wong Facilities as at 10 January 2020 payable by the Company to Mr. Wong (which will be assigned to Team Sunny by Mr. Wong at the completion of the Subscription to facilitate the set-off).

As at the date of this announcement, the Group had the following loans and borrowings indebted to Mr. Wong:

- (i) On 28 February 2019, the Company issued the 2019 PN with principal amount of HK\$8,000,000 as a consideration for the acquisition of Merdeka Professional Services Limited (formerly known as Veda Corporate Services Limited) and its subsidiaries, to Mr. Wong. The 2019 PN bears interest at 2% per annum and the maturity date of the 2019 PN is 28 February 2020. As at the date of this announcement, the outstanding amount of the 2019 PN is HK\$8,000,000.
- (ii) On 28 September 2018, Mr. Wong entered into 1st loan agreement with the Company in which Mr. Wong agreed to grant a loan facility to the Company in the principal amount of up to HK\$25,000,000 at an interest rate of 5.125% per annum with an availability period from 28 September 2018 up to 30 September 2019. The loan will mature after twelve months from the drawdown date. As at the date of this announcement, the outstanding principal amount of Mr. Wong 1st Facility is HK\$20,530,000 and the accrued interest is approximately HK\$1,042,774.
- (iii) On 30 October 2019, Mr. Wong entered into 2nd loan agreement with the Company in which Mr. Wong agreed to grant a loan facility to the Company in the principal amount of HK\$10,000,000 at an interest rate of 5.0% per annum. The loan will mature on 29 October 2020. As at the date of this announcement, the outstanding principal amount of Mr. Wong 2nd Facility is HK\$10,000,000 and the accrued interest is approximately HK\$232,877.

The Board considers that (i) the 2019 PN, which bears an interest rate of 2% per annum and will mature on 28 February 2020; and (ii) both of Mr. Wong 1st Facility and Mr. Wong 2nd Facility, which bear an interest rate of 5.125% per annum and 5.0% per annum respectively, represent a heavy financial burden to the Group. In view of the above, the Board has reviewed and explored different approaches to settle the 2019 PN and Mr. Wong Facilities (together with the accrued interest) and in order to reduce the amount of interest expense incurred by the Group per annum, the Board had decided to issue the Team Sunny Convertible Bonds to settle the 2019 PN and Mr. Wong Facilities (together with the accrued interest) as (i) the Team Sunny Convertible Bonds do not bear any interest burden to the Group and will be able to minimize the short term financial burden to the Group; (ii) the principal amount of the 2019 PN and Mr. Wong Facilities (together with the accrued interest) will be fully settled upon the completion of the Subscription Agreement without requiring any cash outflow; and (iii) the issue of the Team Sunny Convertible Bonds does not have an immediate dilution effect on the shareholding of the Company.

In view of the above, the Directors (excluding the members of the Independent Board Committee who will form their views after considering the advice of the Independent Financial Adviser) are of the view that the terms of Subscription Agreement are on normal commercial terms and the issue of the Team Sunny Convertible Bonds are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

#### **THE TEAM SUNNY SPECIFIC MANDATE**

The Team Sunny Conversion Shares will be issued pursuant to the Team Sunny Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

#### **(III) PROPOSED AMENDMENTS TO THE TERMS OF THE 2008 CONVERTIBLE BONDS**

References are made to the announcements of the Company dated 23 October 2007, 30 May 2011, 4 July 2011, 9 July 2014, 19 September 2014, 20 January 2017 and 7 March 2017 and the circulars of the Company dated 30 May 2008, 15 June 2011, 3 September 2014 and 20 February 2017 (the “**2008 CB Circulars**”) in relation to the issue of, and the subsequent amendments made to, the 2008 Convertible Bonds in the aggregate principal amount of HK\$776,880,000 convertible into Shares at the initial conversion price of HK\$0.10 per 2008 Conversion Share (subject to adjustment as provided in the terms and conditions of the 2008 Convertible Bonds) as part of the consideration for the acquisition of forest concessions in Papua, Indonesia on 12 August 2008.

The 2008 Convertible Bonds are unsecured, interest-free and were originally mature on 12 August 2011. Unless converted into the Shares, the outstanding principal amount of the 2008 Convertible Bonds would be redeemed in full on maturity. By three supplemental deeds dated 30 May 2011, 9 July 2014 and 20 January 2017 respectively, among other changes on the terms of the 2008 Convertible Bonds, the maturity date of the 2008 Convertible Bonds and its conversion period have been extended to 12 August 2020. The conversion price of the 2008 Convertible Bonds has been adjusted from HK\$0.095 per 2008 Conversion Share to HK\$0.95 per 2008 Conversion Share with effect from 19 August 2019 upon the consolidation of the shares of the Company.

As at the date of this announcement, Ivana, Mr. Jin and Mr. Shang are the holders of the 2008 Convertible Bonds in the respective outstanding principal amount of HK\$110,000,000, HK\$7,034,000 and HK\$7,034,000, which 115,789,473, 7,404,211 and 7,404,211 Shares respectively will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.95 per 2008 Conversion Share.



## **FOURTH SUPPLEMENTAL DEED RELATING TO THE CONVERTIBLE BONDS**

The Board announces that on 10 January 2020 (after trading hours), the Company and the CB Holders entered into the Fourth Supplemental Deed, pursuant to which the Company and the CB Holders conditionally agreed to amend certain terms of the 2008 Convertible Bonds such that: (a) the maturity date of the 2008 Convertible Bonds be extended for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the conversion price of the 2008 Convertible Bonds be revised from HK\$0.95 per 2008 Conversion Share to HK\$0.110 per 2008 Conversion Share with effect from 13 August 2020 (subject to adjustments).

To the best information, knowledge and belief of the Directors after making necessary enquiry, save for Ivana, which is a company controlled and owned by a trust founded by Mr. Cheung, the Chairman, an executive Director and the chief executive officer of the Company, each of the CB Holders is an independent third party not connected with the Company and its connected persons.

Ivana is principally engaged in investment holding.

### **Conditions precedent**

The Fourth Supplemental Deed is conditional upon the following conditions:

- (a) the Stock Exchange granting its approval for the 2008 CB Terms Amendments;
- (b) the passing of an ordinary resolution by the Independent Shareholders at the EGM in accordance with the articles of association of the Company and the GEM Listing Rules by the Independent Shareholders approving the Fourth Supplemental Deed and the transactions contemplated thereunder including the grant of the 2008 CB Specific Mandate; and
- (c) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the 2008 Conversion Shares to be issued upon exercise of conversion rights attached to the 2008 Convertible Bonds.

The 2008 CB Terms Amendments shall take effect immediately when all the conditions set out above have been fulfilled. If any of the conditions above are not fulfilled before 30 April 2020, the parties to the Fourth Supplemental Deed shall not be bound to proceed with the transactions contemplated under the Fourth Supplemental Deed and the Fourth Supplemental Deed shall cease to have any effect.

Apart from the 2008 CB Terms Amendments, all other terms of the 2008 Convertible Bonds shall remain unchanged and valid. A summary of the principal terms of the 2008 Convertible Bonds as amended pursuant to the 2008 CB Terms Amendments are as follows:

- Issuer : The Company
- Outstanding principal amount : HK\$124,068,000
- Interest : Zero coupon
- Conversion period : Subject to the restrictions specified below, the CB Holders shall be entitled to convert the 2008 Convertible Bonds into the 2008 Conversion Shares at any time during the period commencing from the date of issue of the 2008 Convertible Bonds until the date that falls on the fifth day immediately before the maturity date.
- Restrictions in conversion : There is no right for any CB Holder(s) to convert any principal amount of the 2008 Convertible Bonds held by the CB Holder(s) and the Company shall not issue any 2008 Conversion Shares thereof if, upon such conversion and issue of the 2008 Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under the GEM Listing Rules.

Conversion Price : HK\$0.95 per 2008 Conversion Share with effect from 19 August 2019 up to and including 12 August 2020; and HK\$0.110 per 2008 Conversion Share with effect from 13 August 2020 to the maturity date of the 2008 Convertible Bonds, subject to adjustments

Adjustment events : The 2008 Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

(i) ***Consolidation or subdivision of the Shares;***

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the 2008 Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount:

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

where

A is the nominal amount of one Share immediately after such consolidation or sub-division; and

B is the nominal amount of one Share immediately before such consolidation or sub-division.

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

(ii) *Capitalisation of profits or reserves;*

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the 2008 Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

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

where

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

B is 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 next following the record date for such issue.

(iii) *Capital distribution;*

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such), the 2008 Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

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

where:

A = the market price on the date on which the capital distribution is publicly announced or (failing any such announcement) the date next preceding the date of the capital distribution; 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 accountants, of the portion of the capital distribution which is attributable to one Share,

Provided that if in the opinion of the independent accountants, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent accountant 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.

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

(iv) *Issue of Shares for subscription by way of rights*

If and whenever the Company shall offer to all or substantially all Shareholders as a class for subscription by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any new Shares, in each case at a price which is less than 80% of the market price on the last dealing day preceding the date of the announcement of the terms of the offer or grant, the 2008 Conversion Price shall be adjusted by multiplying the 2008 Conversion Price in force immediately on the last dealing day preceding the date of the announcement by the following fraction:

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

where

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the rights, or for the options or warrants or other rights issued by way of rights, and for the total number of Shares comprised therein would purchase at such market price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the offer or grant.

Such adjustment shall become effective on the date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

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 CB Holders (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 it had exercised the conversion rights under the 2008 Convertible Bonds registered in its name in full on the day immediately preceding the record date for such offer or grant.

(v) (aa) *Issue of Shares upon conversion or exchange*

If and whenever the Company shall issue wholly for cash any securities (other than the 2008 Convertible Bonds pursuant to the instrument constituting the 2008 Convertible Bonds) which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration (as defined below) per Share initially receivable for such securities is less than 80% of the market price on the last dealing day preceding the date of the announcement of the terms of issue of such securities, the 2008 Conversion Price shall be adjusted by multiplying the 2008 Conversion Price in force immediately prior to the issue by the following fraction:

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

where

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the total Effective Consideration (as defined below) receivable by the Company for the Shares to be issued upon conversion or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such market price per Share; and
- C is the maximum number of Shares to be issued upon conversion into or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

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

**(bb) *Modification of rights of conversion or exchange***

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned above in this sub-paragraph (v) are modified so that the total Effective Consideration (as defined below) per Share initially receivable for such securities shall be less than 80% of the market price on the last dealing day preceding the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the 2008 Conversion Price shall be adjusted by multiplying the 2008 Conversion Price in force immediately prior to such modification by the following fraction:

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



where

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the total Effective Consideration (as defined below) receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the right of subscription attached to the securities so modified, would purchase at such market price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate,

but giving credit in such manner as the independent accountants (whom the Company undertakes to engage for the purpose of this paragraph) shall, acting as an expert, consider appropriate (if at all) for any adjustment under this paragraph.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (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 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.

(vi) *Issue of Shares other than by way of rights*

If and whenever the Company shall issue (otherwise than as mentioned in (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in (iv) above) options, warrants or other rights to subscribe for or purchase Shares, in each case at a price per Share which is less than 80% of the market price on the last dealing day preceding the date of the announcement of the terms of such issue, the 2008 Conversion Price shall be adjusted by multiplying the 2008 Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where

A is the number of Shares in issue immediately before the date of the relevant announcement;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such market price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of the issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- Early redemption : The Company may at any time during the period commencing from the date of issue of the 2008 Convertible Bonds to the maturity date of the 2008 Convertible Bonds to redeem the whole or part of the outstanding 2008 Convertible Bonds of the CB Holder(s) on a pro rata basis.
- Ranking of Conversion Shares : 2008 Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.
- Maturity date : The date falling on the fifteenth anniversary of the issue date, such date being a business day and if such date not being a business day, the immediately next business day, i.e. 12 August 2023.

- Voting rights : The CB Holder(s) shall not have any right to attend or vote in any general meeting of the Company by virtue of their being CB Holder(s).
- Transferability : The 2008 Convertible Bonds are transferable from the date of issue of the 2008 Convertible Bonds until the date that falls on the tenth Business Day prior to the maturity date, subject to the terms and conditions of the 2008 Convertible Bonds. If the 2008 Convertible Bonds are transferred to a connected person (except the transfer of the 2008 Convertible Bonds to the holding company or subsidiary of the CB Holder), the Company shall immediately notify the Stock Exchange and all such transfer shall be made subject to prior approval of the Stock Exchange and full compliance with the GEM Listing Rules.
- Status : General, unsecured obligations of the Company ranking equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for the obligations accorded preference by mandatory provisions of applicable laws.
- Listing : No application will be made for the listing of the 2008 Convertible Bonds on the Stock Exchange. Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 2008 Conversion Shares arising from the conversion of the outstanding 2008 Convertible Bonds.

### **Conversion Price**

The 2008 Conversion Price of HK\$0.110 (subject to adjustments) per 2008 Conversion Share represents:

- (a) a discount of approximately 8.33% over the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) is equivalent to the average closing price of approximately HK\$0.110 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and

- (c) a premium of approximately 2.80% over the average closing price of approximately HK\$0.107 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

The 2008 Conversion Price of HK\$0.110 (subject to adjustments) was arrived at after arm's length negotiations between the Company and the CB Holders with reference to the recent trading prices of the Shares on the Stock Exchange.

Upon effective of the 2008 CB Terms Amendments:

- (i) if the outstanding 2008 Convertible Bonds are fully converted at the adjusted 2008 Conversion Price of HK\$0.110 each (subject to adjustments), a maximum of 1,127,890,909 2008 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding 2008 Convertible Bonds in full, which represents approximately 430.16% of the existing issued share capital of the Company as at the date of this announcement;
- (ii) assuming completion of the proposed Rights Issue (such that HK\$55.00 million has been repaid partially of the 2008 Convertible Bonds to Mr. Cheung) and if the outstanding 2008 Convertible Bonds are fully converted at the adjusted 2008 Conversion Price of HK\$0.110 each (subject to adjustments), a maximum of 627,890,909 2008 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding 2008 Convertible Bonds in full which represents:
  - (a) approximately 239.47% of the existing issued share capital of the Company as at the date of this announcement;
  - (b) approximately 47.89% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares);
  - (c) approximately 37.53% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares) and the allotment and issue of the Team Sunny Conversion Shares; and
  - (d) approximately 27.29% of the issued share capital of the Company as to be enlarged by the completion of the proposed Rights Issue (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares), the allotment and issue of the Team Sunny Conversion Shares and the outstanding 2008 Conversion Shares.

## **THE 2008 CB SPECIFIC MANDATE**

The 2008 Conversion Shares will be issued pursuant to the 2008 CB Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

## **REASONS FOR THE 2008 CB TERMS AMENDMENTS**

The 2008 CB Terms Amendments effectively allow the Group to refinance the debts under the 2008 Convertible Bonds under the similar financial terms for a further three-year period. Since the existing conversion price of the 2008 Convertible Bonds is much higher than the prevailing market price of the Share, the chance of conversion of the Convertible Bonds is remote. As the adjusted 2008 Conversion Price will serve as an incentive for the CB Holders to exercise their conversion rights attached to the 2008 Convertible Bonds into 2008 Conversion Shares, the financial position of the Group will be strengthened with the conversion of debt into equity capital and the pressure on the Company's liquidity and cash flow can be reduced. Also, as the 2008 Convertible Bonds is zero coupon, it will not incur any interest burden for the Group for the next three years. Save for the 2008 CB Terms Amendments, other terms and conditions of the 2008 Convertible Bonds remain unchanged and valid.

The Board (excluding: (i) Mr. Cheung, the founder of a trust which is the ultimate beneficial owner of Ivana who has material interest in the 2008 CB Terms Amendments and has abstained from voting in the Board meeting for approving the 2008 CB Terms Amendments, and (ii) the independent non-executive Directors who will form their views after taking into account the recommendation of the Independent Financial Adviser) considers that the terms and conditions of the Fourth Supplemental Deed are fair and reasonable and the 2008 CB Terms Amendments are in the interests of the Company and the Shareholders as a whole. No proceeds will be received by the Company as a result of the 2008 CB Terms Amendments.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below the shareholding structure of the Company as at the date of this announcement, and the effect on the shareholding structure of the Company upon completion of (i) the Rights Issue in the manner contemplated under the Underwriting Agreement; (ii) the allotment and issue of the Team Sunny Conversion Shares pursuant to the Subscription Agreement; and (iii) the allotment and issue of the 2008 Conversion Shares is as follow:

### Scenario 1: Assuming no Outstanding Share Options being exercised and that there is no change in the number of issued Shares from the date of this announcement up to the Record Date

	As at the date of this announcement		Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares		(i) Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares and issue of the Team Sunny Conversion Shares <sup>(note 3)</sup>		(i) Assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares; (ii) the allotment and issue of the Team Sunny Conversion Shares <sup>(note 4)</sup>	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Shareholders</b>										
Team Sunny <sup>(note 1)</sup>	47,164,000	17.99	235,820,000	17.99	390,730,000	29.80	752,599,554	44.99	752,599,554	32.71
Cheung Wai Yin, Wilson <sup>(note 2)</sup>	55,781	0.02	278,905	0.02	55,781	0.00	55,781	0.00	500,055,781	21.73
Option holders	—	—	—	—	—	—	—	—	—	—
CB Holders (Mr. Jin and Mr. Shang)	—	—	—	—	—	—	—	—	127,890,909	5.56
Underwriter	—	—	—	—	705,236,876	53.80	705,236,876	42.16	705,236,876	30.65
Other public Shareholders	214,980,938	81.99	1,074,904,690	81.99	214,980,938	16.40	214,980,938	12.85	214,980,938	9.35
<b>Total</b>	<b>262,200,719</b>	<b>100.00</b>	<b>1,311,003,595</b>	<b>100.00</b>	<b>1,311,003,595</b>	<b>100.00</b>	<b>1,672,873,149</b>	<b>100.00</b>	<b>2,300,764,058</b>	<b>100.00</b>

**Scenario 2: Assuming new Shares have been allotted and issued on or before the Record Date pursuant to the full exercise of all Outstanding Share Options but otherwise no other Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date.**

	As at the date of this announcement		Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares		(i) Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares and issue of the Team Sunny Conversion Shares <sup>(note 3)</sup>		(i) Assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date, and that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares; (ii) the allotment and issue of the Team Sunny Conversion Shares <sup>(note 4)</sup>	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Shareholders</b>										
Team Sunny <sup>(note 1)</sup>	47,164,000	17.99	235,820,000	17.99	390,730,000	29.80	752,599,554	44.99	752,599,554	32.71
Cheung Wai Yin, Wilson <sup>(note 2)</sup>	55,781	0.02	278,905	0.02	55,781	0.00	55,781	0.00	500,055,781	21.73
Option holders	33,199	0.01	165,995	0.01	33,199	0.00	33,199	0.00	33,199	0.00
CB Holders (Mr. Jin and Mr. Shang)	—	—	—	—	—	—	—	—	127,890,909	5.56
Underwriter	—	—	—	—	705,369,672	53.80	705,369,672	42.16	705,369,672	30.66
Other public Shareholders	<u>214,980,938</u>	<u>81.98</u>	<u>1,074,904,690</u>	<u>81.98</u>	<u>214,980,938</u>	<u>16.40</u>	<u>214,980,938</u>	<u>12.85</u>	<u>214,980,938</u>	<u>9.34</u>
<b>Total</b>	<u><u>262,233,918</u></u>	<u><u>100.00</u></u>	<u><u>1,311,169,590</u></u>	<u><u>100.00</u></u>	<u><u>1,311,169,590</u></u>	<u><u>100.00</u></u>	<u><u>1,673,039,144</u></u>	<u><u>100.00</u></u>	<u><u>2,300,930,053</u></u>	<u><u>100.00</u></u>

*Notes:*

- (1) Team Sunny is owned as to 100% by Mr. Wong whose is deemed to be interested in 47,164,000 Shares pursuant to the Part XV of the SFO.
- (2) Mr. Cheung Wai Yin Wilson is the Chairman, an executive Director and the chief executive officer of the Company and personally interested in 55,781 Shares. Upon completion of the proposed Rights Issue, approximately HK\$55.00 million of the estimated net proceeds of the proposed Rights Issue will be used for a partial repayment of the 2008 Convertible Bonds to Mr. Cheung, as a result the outstanding principal amount of the 2008 Convertible Bonds hold by Mr. Cheung, through Ivana, will be HK\$55.00 million.
- (3) The shareholding structure is prepared for illustrative purpose only. There is no right for Team Sunny to convert any principal amount of the Team Sunny Convertible Bonds held by Team Sunny and the Company shall not issue any Team Sunny Conversion Shares thereof if, upon such conversion and issue of the Team Sunny Conversion Shares, the Company will not be able to comply with the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.



- (4) The shareholding structure is prepared for illustrative purpose only. There is no right for any CB Holder(s) to convert any principal amount of the 2008 Convertible Bonds held by the CB Holder(s) and the Company shall not issue any 2008 Conversion Shares thereof if, upon such conversion and issue of the 2008 Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under the GEM Listing Rules.
- (5) These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) each of the subscribers or purchasers of the Untaken Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates; (ii) the public float requirements under the GEM Listing Rules shall be fulfilled by the Company upon completion of the Rights Issue; and (iii) any subscription or purchase of the Untaken Shares by the Underwriter and each of the subscribers or purchasers procured by the Underwriter shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter and the subscribers or purchasers procured by the Underwriter upon completion of the Rights Issue.
- (6) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

## **EQUITY FUND RAISING EXERCISES OF THE COMPANY IN THE PAST TWELVE MONTHS**

Save as disclosed below, the Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds as at the date of this announcement</b>
12 July 2019	Placing of New Shares under general mandate	approximately HK\$6.26 million	(i) approximately HK\$3.10 million as to salary, Director's fee and mandatory provident fund schemes; (ii) approximately HK\$1.50 million as to rent and rates; and (iii) approximately HK\$1.66 million as to maintain and expand in financial services business	Fully utilised as intended

## **POSSIBLE ADJUSTMENTS RELATING TO THE OUTSTANDING SHARE OPTIONS**

As at the date of this announcement, there are 33,199 Outstanding Share Options. All the 33,199 Outstanding Share Options are exercisable from 30 May 2012 to 29 May 2022. Save for 33,199 Outstanding Share Options and the 2008 Convertible Bonds, there are no outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares.

Adjustments to the exercise prices and numbers of the Outstanding Share Options will be required under the Share Option Scheme as a result of the Rights Issue. An independent financial adviser of the Company will be appointed to certify the necessary adjustments to the exercise prices and numbers of the Outstanding Share Options. Further announcement relating to such adjustments will be made by the Company in this regard as and when appropriate.

## **GEM LISTING RULES IMPLICATIONS**

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 months period immediately preceding this announcement, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling

Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue and the transactions contemplated thereunder.

As at the date of this announcement, there is no controlling Shareholder as defined under the GEM Listing Rules. Mr. Cheung, being the Chairman, an executive Director and the chief executive officer of the Company, is the legal and beneficial owner of 55,781 Shares, representing approximately 0.02% of the entire issued share capital of the Company as at the date of this announcement. As such, Mr. Cheung and his associates shall abstain from voting in favour of the proposed Rights Issue and the transactions contemplated thereunder at the EGM.

## **Connected Transactions**

### ***Subscription Agreement***

As at the date of this announcement, Team Sunny (a company which is wholly and ultimately owned by Mr. Wong) is a substantial shareholder of the Company and is beneficially interested in 47,164,000 Shares, representing approximately 17.99% of the entire issued share capital of the Company. Accordingly, Team Sunny is a connected person of the Company and the Subscription constitutes a connected transaction under Rule 20.22(6) of the GEM Listing Rules and will be subject to reporting and announcement requirements, as well as the approval of the Independent Shareholders at the EGM by way of poll. Mr. Wong, Team Sunny and their respective associates will abstain from voting for the relevant resolutions approving the Subscription Agreement at the EGM.

### ***2008 CB Terms Amendments***

Pursuant to Rule 22.03 of the GEM Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. An application for the said approval will be made by the Company to the Stock Exchange.

As Ivana is a company controlled and owned by a trust founded by Mr. Cheung, the Chairman, an executive Director and the chief executive officer of the Company, Ivana is therefore a connected person of the Company under the GEM Listing Rules. The 2008 CB Terms Amendments under the Fourth Supplemental Deed constitute a connected transaction of the Company. Therefore, the Fourth Supplemental Deed and the transactions contemplated thereunder (including but not limited to the 2008 CB Terms Amendments and the allotment and issue of the 2008 CB Conversion Shares upon exercise of the conversion rights attached to the amended 2008 Convertible Bonds) and the grant of the 2008 CB Specific Mandate are subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the EGM under the

GEM Listing Rules. Mr. Cheung and Ivana together with their respective associates will abstain from voting in respect of the resolution(s) approving the 2008 CB Terms Amendments at the EGM.

An application will be made to the Stock Exchange for its approval of: the listing of, and permission to deal in, (i) the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the proposed Rights Issue; (ii) the Team Sunny Conversion Shares pursuant to the terms and conditions of the Team Sunny Convertible Bonds; and (iii) the 2008 Conversion Shares pursuant to the terms and conditions of the outstanding 2008 Convertible Bonds (as amended by the Fourth Supplemental Deed).

## **GENERAL**

Mr. Cheung, who is the Chairman, an executive Director and the chief executive officer of the Company, has abstained from voting in the Board meeting for approving the proposed Rights Issue and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the proposed Rights Issue, Subscription Agreement and the 2008 CB Terms Amendments respectively who are required to abstain from voting in the Board meeting in respect of the proposed Rights Issue, Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder.

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the Rights Issue, Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder, including but not limited to the issue of the Team Sunny Convertible Bonds, the allotment and issue of the Team Sunny Conversion Shares and the 2008 Conversion Shares, and the grant of the Team Sunny Specific Mandate and the 2008 CB Specific Mandate.

An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A Circular containing, among other things, (i) further information on the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or about Friday, 31 January 2020. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder, including but not limited to the issue

of the Team Sunny Convertible Bonds, the allotment and issue of the Team Sunny Conversion Shares and the 2008 Conversion Shares, and the grant of the Team Sunny Specific Mandate and the 2008 CB Specific Mandate.

The Team Sunny Conversion Shares and the 2008 Conversion Shares will be issued under the Team Sunny Specific Mandate and the 2008 CB Specific Mandate respectively to be sought at the EGM.

Subject to the approval of the proposed Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further information regarding, among other things, the proposed Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on or before Friday, 28 February 2020. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

#### **WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the proposed Rights Issue may or may not proceed.**

**The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 19 February 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 3 March 2020 to Tuesday, 10 March 2020 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.**

**Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.**

**Completion of the subscription of the Team Sunny Convertible Bonds is subject to the satisfaction of the conditions precedent set out in the Subscription Agreement. Accordingly, the issue of the Team Sunny Convertible Bonds may or may not proceed.**

**If any of the conditions precedent to the completion under the Fourth Supplemental Deed are not satisfied, the Fourth Supplemental Deed will lapse and the 2008 CB Terms Amendments will not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“2008 CB Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the 2008 Conversion Shares to be proposed for approval as an ordinary resolution of the Independent Shareholders at the EGM
“2008 CB Terms Amendments”	together (a) the proposed extension of the maturity date of the 2008 Convertible Bonds for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the proposed revision of the conversion price of the 2008 Convertible Bonds from HK\$0.95 per Share to HK\$0.110 per Share
“2008 Conversion Price”	HK\$0.95 per 2008 Conversion Share with effect from 19 August 2019 up to and including 12 August 2020; and subject to the 2008 CB Terms Amendments having become effective, the adjusted conversion price of HK\$0.110 per 2008 Conversion Share with effect from 13 August 2020 to the maturity date of the 2008 Convertible Bonds, subject to adjustment under the terms and conditions of the 2008 Convertible Bonds
“2008 Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attached to the 2008 Convertible Bonds by the CB Holders thereof
“2008 Convertible Bonds”	the zero coupon convertible bonds due 2020 issued by the Company on 12 August 2008
“2014 PN”	the promissory notes issued by the Company on 4 April 2014 which bears interest at 2% per annum and is due on 4 April 2017 with an outstanding principal amount of approximately HK\$14.86 million

“2019 PN”	the promissory notes issued by the Company on 28 February 2019 to settle the acquisition of 100% of the issued share capital of Merdeka Professional Services Limited (formerly known as Veda Corporate Services Limited), which bears interest at 2% per annum and is due on 28 February 2020 with an outstanding principal amount of HK\$8,000,000
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal 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 signal 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 open for business throughout their normal business hours
“CB Holder(s)”	holder(s) of the 2008 Convertible Bonds
“CB Holders’ Irrevocable Undertakings”	the irrevocable and unconditional undertakings given by the CB Holders in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “Irrevocable undertakings from Team Sunny and the CB Holders” under the section headed “Proposed Rights Issue” in this announcement
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to the Shareholders containing, among other things, further information of the proposed Rights Issue, the Subscription and the 2008 CB Terms Amendments and the transactions contemplated, and proposed to be despatched to the Shareholders on or about Friday, 31 January 2020
“Company”	Merdeka Financial Group Limited 領智金融集團有限公司, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules

“Debt Settlement”	the settlement of outstanding debt due from the Company to Mr. Wong of HK\$39,805,651 pursuant to the Subscription
“Director(s)”	the director(s) of the Company from time to time
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to approve the Underwriting Agreement, the Subscription Agreement and the Fourth Supplemental Deed and the transactions contemplated respectively thereunder
“Fourth Supplemental Deed”	the supplemental deed dated 10 January 2020 and entered into between the Company and the CB Holders in respect of the 2008 CB Terms Amendments
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of to the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder



“Independent Shareholder(s)”	the Shareholders not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the proposed Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder at the EGM
“Ivana”	Ivana Investments Limited, being an investment holding company, the entire issued shares of which are owned by a trust founded by Mr. Cheung
“Last Trading Day”	10 January 2020, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Lodging Time”	4:30 p.m. on Thursday, 20 February 2020 or such other date as the Underwriter and the Company may agree, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Time for Acceptance”	4:00 p.m. on Friday, 13 March 2020 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance or such other date as the Underwriter may agree in writing with the Company
“Mr. Cheung”	Mr. Cheung Wai Yin, Wilson, the Chairman, an executive Director and the chief executive officer of the Company
“Mr. Cheung Advance”	the bank advance provided by Mr. Cheung to the Company in the aggregated amount of HK\$12.64 million for the general working capital of the Group
“Mr. Jin”	Jin Xiaobin, being a CB Holder and an independent third party
“Mr. Shang”	Shang Xiaodong, being a CB Holder and an independent third party
“Mr. Wong”	Mr. Wong Hin Shek
“Mr. Wong 1st Facility”	the shareholder’s loan facility granted by Mr. Wong to the Company on 28 September 2018 in an aggregate amount up to HK\$25,000,000 at an interest rate of 5.125% per annum

“Mr. Wong 2nd Facility”	the shareholder’s loan facility granted by Mr. Wong to the Company on 30 October 2019 in an aggregate amount of HK\$10,000,000 at an interest rate of 5.0% per annum
“Mr. Wong Facilities”	both of Mr. Wong 1st Facility and Mr. Wong 2nd Facility
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Options Holder(s)”	holders of the Outstanding Share Options
“Outstanding Share Option(s)”	as at the date of this announcement, the 33,199 outstanding share options granted under the Share Option Scheme
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the proposed Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“PRC”	People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	Friday, 28 February 2020 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)

“Record Date”	Thursday, 27 February 2020 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the proposed Rights Issue are expected to be determined
“Registrar”	the share registrar of the Company in Hong Kong, being Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of four (4) Rights Shares for every one (1) existing Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	Shares to be issued and allotted under the proposed Rights Issue on the basis of four (4) Rights Shares for every one (1) existing Share in issue on the Record Date, being 1,048,802,876 Shares based on the Company’s issued share capital as at the date of this announcement, or if the maximum number of the Outstanding Share Options are exercised in full on or before the Record Date, an aggregate of 1,048,935,672 Shares
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of HK\$0.010 each in the Share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 3 May 2012
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Team Sunny Convertible Bonds by Team Sunny pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 10 January 2020 entered into between the Company and Team Sunny in relation to the Subscription
“Subscription Long Stop Date”	30 April 2020 or such other date as may be agreed by the Company and Team Sunny

“Subscription Price”	HK\$0.110 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Team Sunny”	Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 47,164,000 existing Shares up to and including the Latest Lodging Time, is wholly-owned by Mr. Wong
“Team Sunny Conversion Price”	HK\$0.110 per Team Sunny Conversion Shares, subject to adjustments and the terms and conditions of the Team Sunny Convertible Bonds
“Team Sunny Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attached to the Team Sunny Convertible Bonds by Team Sunny
“Team Sunny Convertible Bonds”	convertible bonds in an aggregate principal amount of HK\$39,805,651 to be issued by the Company, and subscribed by Team Sunny, pursuant to the Subscription Agreement for the Debt Settlement
“Team Sunny Irrevocable Undertaking”	the irrevocable and unconditional undertaking given by Team Sunny in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “Irrevocable undertakings from Team Sunny and the CB Holders” under the section headed “Proposed Rights Issue” in this announcement
“Team Sunny Specific Mandate”	the specific mandate to the Board to allot, issue and deal with the Team Sunny Conversion Shares to be proposed for approval as an ordinary resolution of the Independent Shareholders at the EGM
“Underwriter”	Head & Shoulders Securities Limited
“Underwriting Agreement”	the underwriting agreement dated 10 January 2020 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the proposed Rights Issue

“Underwritten Shares”	not less than 705,236,876 Rights Shares and not more than 705,369,672 Rights Shares
“Untaken Shares”	those (if any) of the Rights Shares in respect of which valid applications under the PALs and EAFs have not been received on or before the Latest Time for Acceptance
“HK\$”	Hong Kong dollar, the currency of Hong Kong
“%” or “per cent.”	percentage or per centum

By order of the Board  
**MERDEKA FINANCIAL GROUP LIMITED**  
**Cheung Wai Yin, Wilson**  
*Chairman and Chief Executive Officer*

Hong Kong, 10 January 2020

*As at the date of this announcement, the executive Directors are Mr. Cheung Wai Yin, Wilson (Chairman and Chief Executive Officer) and Ms. Tsang Kwai Ping, the independent non-executive Directors are Ms. Yeung Mo Sheung, Ann; Ms. Ng Ka Sim, Casina and Mr. Wong Wing Kit.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at <http://www.merdeka.com.hk>.*