
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Merdeka Financial Group Limited**, you should at once hand this Prospectus with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents.

This Prospectus appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

Distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law.

Persons who come into possession of this Prospectus should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States of America. This Prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The securities referred to herein have not been and will not be registered under the US Securities Act or the laws of any state or jurisdiction of the United States of America, and may not be offered or sold within the United States of America, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States of America.



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)

RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

Financial adviser to the Company



Underwriter to the Rights Issue



Capitalised terms used in this cover page have the same meanings as defined in this Prospectus.

It should be noted that the Shares have been dealt in on an ex-rights basis from Wednesday, 20 May 2020. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 2 June 2020 to Tuesday, 9 June 2020 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 2 June 2020 to Tuesday, 9 June 2020 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated or rescinded (as the case may be) the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" of this Prospectus). Accordingly, the Rights Issue may or may not proceed.

The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 12 June 2020. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 18 to 22 of this Prospectus.

29 May 2020

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Prospectus shall refer to Hong Kong local time and dates.

Event **2020**

First day of dealing in nil-paid Rights Shares 9:00 a.m. on
Tuesday, 2 June

Latest time for splitting of the PAL 4:30 p.m. on
Thursday, 4 June

Last day of dealings in nil-paid Rights Shares Tuesday, 9 June

**Latest Time for Acceptance and payment for Rights
Shares and application for excess Rights Shares 4:00 p.m. on
Friday, 12 June**

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, 15 June

Announcement of the allotment results Friday, 19 June

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, 22 June

Expected first day of dealings in fully-paid rights shares 9:00 a.m. on
Tuesday, 23 June

Designated broker starts to stand in the market to
provide matching services for odd lots of the Shares Tuesday, 23 June

Designated broker ceases to stand in the market to
provide matching services for odd lots of the Shares Tuesday, 14 July

Dates or deadlines specified in the expected timetable above or in other parts of this Prospectus 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.

EXPECTED TIMETABLE

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 or “extreme conditions” caused by a super typhoon:

- (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, 12 June 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, 12 June 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..

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this Prospectus for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Rights Issue will be announced as and when appropriate.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the meanings as set out below:

“2008 CB Circulars”	the circulars of the Company dated 30 May 2008, 15 June 2011, 3 September 2014 and 20 February 2017 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
“2008 CB Sale and Purchase Agreement”	the sale and purchase agreement dated 21 January 2020 (as amended and supplemented by the supplemental agreement dated 20 March 2020 and the extension letter dated 14 April 2020) entered into between Ivana and Team Sunny pursuant to which Team Sunny has conditionally agreed to acquire from Ivana and Ivana has conditionally agreed to sell to Team Sunny the 2008 Sale Convertible Bonds in the principal amount of HK\$55.00 million
“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 2008 Conversion Price from HK\$0.95 per Share to HK\$0.110 per Share with effect from 13 August 2020
“2008 CB Transfer”	the proposed transfer of the 2008 Sale Convertible Bonds in the principal amount of HK\$55.00 million from Ivana to Team Sunny pursuant to the 2008 CB Sale and Purchase Agreement
“2008 CB Transfer Completion”	the completion of the 2008 CB Transfer
“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

DEFINITIONS

“2008 Convertible Bonds”	the zero coupon convertible bonds due 2020 issued by the Company on 12 August 2008 and as amended from time to time
“2008 Sale Convertible Bonds”	the 2008 Convertible Bonds in the principal amount of HK\$55.00 million to be transferred from Ivana to Team Sunny pursuant to the 2008 CB Sale and Purchase Agreement
“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 amount of approximately HK\$14.86 million (including the outstanding principal amount of approximately HK\$7.8 million and the outstanding interest incurred from the 2014 PN of approximately HK\$7.06 million as at the Latest Practicable Date)
“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. On 28 February 2020, Mr. Wong executed an extension letter and agree to extend the maturity date of the 2019 PN from 28 February 2020 to the date of completion of the Subscription or the date on which the Subscription lapses, whichever is the earlier. Upon issue of the Team Sunny Convertible Bonds on 21 May 2020, all the principal amount of HK\$8,000,000 under the 2019 PN has been offset and settled
“2020 Announcement”	the announcement of the Company dated 10 January 2020 in relation to, among other things, the proposed Rights Issue, the Subscription and the 2008 CB Terms Amendments
“Adjourned EGM”	the adjourned extraordinary general meeting of the Company held on Monday, 18 May 2020 at which, the proposed Rights Issue, the Underwriting Agreement, the Subscription Agreement and the Fourth Supplemental Deed and the transactions contemplated respectively thereunder have been approved
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors

DEFINITIONS

“Business Day(s)”	a day (excluding a 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)”	holders 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 “Rights Issue” in this Prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 27 March 2020 in relation to, among other things, the proposed Right Issue, the Subscription, the 2008 CB Terms Amendments and the 2008 CB Transfer and the transactions contemplated respectively thereunder
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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 GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“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
“Fourth Supplemental Deed”	the supplemental deed dated 10 January 2020 (as amended and restated on 14 April 2020) entered into between the Company and the CB Holders in respect of the 2008 CB Terms Amendments

DEFINITIONS

“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 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 Adjourned EGM
“Independent Third Party(ies)”	an individual(s) or a company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons
“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 the 2020 Announcement
“Latest Lodging Time”	4:30 p.m. on Thursday, 21 May 2020, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	26 May 2020, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Friday, 12 June 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

DEFINITIONS

“Mr. Cheung”	Mr. Cheung Wai Yin, Wilson, the Chairman, an executive Director and the chief executive officer of the Company
“Mr. Cheung Advance”	the various 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”	Mr. Jin Xiaobin, being a CB Holder and an Independent Third Party
“Mr. Shang”	Mr. Shang Xiaodong, being a CB Holder and an Independent Third Party
“Mr. Wong”	Mr. Wong Hin Shek, the sole beneficial owner of Team Sunny which is a substantial shareholder of the Company and interested in 47,164,000 Shares, representing approximately 17.99% of the issued share capital of the Company as the Latest Practicable Date
“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 Overseas 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 Latest Practicable Date, 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) in a place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	People’s Republic of China, which for the purpose of this Prospectus shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“Prospectus”	this prospectus containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF

DEFINITIONS

“Prospectus Posting Date”	Friday, 29 May 2020, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) 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, 28 May 2020, being the date for the determination of the entitlements under the Rights Issue
“Registrar”	the Company’s branch share registrar and transfer office 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 Share(s)”	1,048,802,876 Shares, proposed to be offered to the Qualifying Shareholders pursuant to the Rights Issue for Subscription
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	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 (as amended and supplemented by the supplemental agreement dated 20 March 2020 and the extension letter dated 14 April 2020) entered into between the Company and Team Sunny in relation to the Subscription
“Subscription Price”	HK\$0.110 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“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 holds and will hold 47,164,000 existing Shares up to and including the Latest Lodging Time and is wholly-owned by Mr. Wong
“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 issued by the Company and subscribed by Team Sunny pursuant to the Subscription Agreement for the settlement of outstanding debt due from the Company to Mr. Wong of HK\$39,805,651 pursuant to the Subscription
“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 “Rights Issue” in this Prospectus
“Underwriter”	Head & Shoulders Securities Limited
“Underwriting Agreement”	the underwriting agreement dated 10 January 2020 (as amended and supplemented by the extension letters dated 31 January 2020, 21 February 2020, 13 March 2020 and 14 April 2020) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriter of 705,236,876 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

In case of inconsistency, the English text of this Prospectus shall prevail over its Chinese text.

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 thereof) 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 ^(Note), 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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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 this Prospectus and not having been disclosed in this 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 the 2020 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,

Note: Epidemic includes the outbreak of novel coronavirus.

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 Rights Issue will not proceed.

As at the Latest Practicable Date, the Board has not received any notice from the Underwriter of its intention to terminate the Underwriting Agreement in light of the ongoing and the current outbreak situation of novel coronavirus or any others reasons.

If the Underwriter or the Company terminates the Underwriting Agreement, the 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.



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)

Executive Directors:

Mr. Cheung Wai Yin, Wilson
(Chairman and Chief Executive Officer)
Ms. Tsang Kwai Ping

Independent non-executive Directors:

Ms. Yeung Mo Sheung, Ann
Ms. Ng Ka Sim, Casina
Mr. Wong Wing Kit

Registered Office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Room 1108, 11/F,
Wing On Centre
111 Connaught Road Central
Central, Hong Kong

29 May 2020

*To the Qualifying Shareholders and, for information only,
the Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF FOUR (4)
RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE**

INTRODUCTION

References are made to (a) the 2020 Announcement and the Circular in relation to, among other things, the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments and the transactions contemplated respectively thereunder; (b) the announcement of the Company dated 20 March 2020 in relation to the supplemental agreements for the Subscription Agreement and the 2008 CB Sale and Purchase Agreement; (c) the announcement of the Company dated 14 April 2020 in relation to, amongst other things, the Adjourned EGM, the revised expected timetable in relation to the proposed Rights Issue and the extension of long stop dates for the proposed Rights Issue, the

LETTER FROM THE BOARD

Subscription Agreement, the Fourth Supplemental Deed and the 2008 CB Sale and Purchase Agreement; and (d) the results announcement of the Adjourned EGM dated 18 May 2020.

At the Adjourned EGM convened and held on Monday, 18 May 2020 at 11:00 a.m., the necessary resolutions for approving, among other things, the resolutions approving the Rights Issue, the Underwriting Agreement, the Subscription Agreement and the Fourth Supplemental Deed and the transactions contemplated respectively thereunder were duly passed by the Independent Shareholders.

All conditions precedent set out in the Subscription Agreement have been fulfilled and completion of the Subscription took place on 21 May 2020. Accordingly, the Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651 were issued to Team Sunny in accordance with the terms and conditions of the Subscription Agreement.

Pursuant to the Underwriting Agreement, the Underwritten Shares were fully underwritten by the Underwriter on the terms and subject to the conditions set out therein.

The purpose of this Prospectus is to provide you with further details of the Rights Issue including information on dealings in, transfer and acceptance of the Rights Shares and certain financial and other information in respect of the Group.

RIGHTS ISSUE

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 Latest Practicable Date	:	262,200,719 Shares
Number of Rights Shares	:	1,048,802,876 Rights Shares
Aggregate nominal value of the Rights Share	:	HK\$10,488,028.76
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 705,236,876 Rights Shares
Enlarged number of Shares upon completion of the Rights Issue	:	1,311,003,595 Shares

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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; (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; and (iii) the Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651, which 361,869,554 Shares will be issued upon exercise of the conversion rights under the Team Sunny Convertible Bonds in full at the conversion price of HK\$0.110 per Team Sunny Conversion Share. Each of the CB Holders has provided the CB Holders' Irrevocable Undertakings. None of the Outstanding Share Options had been exercised and Team Sunny Convertible Bonds has been converted by the Latest Lodging Time. Since the register of members of the Company to determine the entitlement of Rights Issue has closed from Friday, 22 May 2020 to Thursday, 28 May 2020, issue of new Shares (if any) pursuant to the exercise of the Outstanding Share Options and conversion of the Team Sunny Convertible Bonds after the Latest Lodging Time shall have no impact to the Rights Issue.

Save as disclosed above, as at the Latest Practicable Date, 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 completion of the Rights Issue, 1,048,802,876 Rights Shares will be allotted and issued upon completion of the Rights Issue, representing (i) 400.00% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 80.00% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

The Subscription Price:

- (a) represents a discount of approximately 9.84% to the closing price of HK\$0.122 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) represents 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;
- (c) 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;
- (d) represents 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;
- (e) represents a premium of approximately HK\$0.527 over the audited net liabilities value per Share of approximately HK\$0.417 based on the published audited consolidated net liabilities of the Company of approximately HK\$109.36 million as at 31 December 2019 and the issued share capital of 262,200,719 Shares as at 31 December 2019;

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- (f) represents a premium of approximately HK\$0.522 over the unaudited net liabilities value per Share of approximately HK\$0.412 based on the published unaudited consolidated net liabilities of the Company of approximately HK\$107.91 million as at 31 March 2020 and the issued share capital of 262,200,719 Shares as at 31 March 2020;
- (g) represents 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
- (h) represents 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 the 2020 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 Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this Prospectus.

Considering the Shares have been trading on the Stock Exchange in the price range between HK\$0.084 and HK\$0.190 with an average of HK\$0.127 in the past 6 months prior to the Last Trading Day, i.e. from 10 July 2019 to the Last Trading Day (up to 10 January 2020) (the "**Review Period**"), the Subscription Price of HK\$0.110 represents a discount of approximately 13.39% to the average closing price of the Shares of HK\$0.127 and would demonstrate a reasonable discount to the Shareholders who wish to participate in the Rights Issue. The Directors considered that the Review Period is an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment.

The Directors also observed that it is common for listed issuers in Hong Kong to set the subscription price in a rights issue at a discount to the prevailing closing prices in order to increase the attractiveness of the rights issue. Therefore, the Directors consider that offering a discount to the market price of the Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole. On the other hand, the trading liquidity of the Shares continued to be thin during the Review Period, with an average daily trading volume of the Shares of approximately 337,149 Shares, representing approximately 0.13% of the total number of issued Shares as at the Last Trading Day.

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A comparison between the average trading volume of the Shares per trading day during the month and its percentage as compared to the total number of issued Shares for each month during the Review Period; and the average daily turnover of the listed securities in Hong Kong (the Main Board and GEM of the Stock Exchange) and its percentage as compared to total market capitalization of the listed securities in Hong Kong (the Main Board and GEM of the Stock Exchange) for each month during the Review Period, are tabulated as follows:

	Average trading volume of the Shares	Average trading volume of the Shares per trading day during the month	Total number of the issued Shares of the end of the month <i>(Notes 2 and 4)</i>	% of average daily trading volume of the issued Shares <i>(Note 3)</i>	Average daily turnover of the listed securities in Hong Kong <i>HK\$ million</i>	% of average daily turnover to total market capitalization of listed securities in Hong Kong	Number of trading days in each month
2019							
July (from 10 July to 31 July)	14,717,160	919,823	204,009,415	0.45%	68,741	0.21%	16
August	14,939,934	679,088	244,809,415	0.28%	86,393	0.29%	22
September	2,484,951	118,331	244,809,415	0.05%	75,841	0.25%	21
October	4,577,137	217,959	244,809,415	0.09%	75,894	0.24%	21
November	3,426,299	163,157	244,809,415	0.07%	79,572	0.22%	21
December	1,129,079	56,454	262,200,719	0.02%	75,818	0.20%	20
2020							
January (up to and including the Last Trading Day i.e. 10 January 2020)	1,880,569	268,653	262,200,719	0.10%	103,934	0.29% <i>(Note 5)</i>	7

Notes:

1. Total monthly trading volume of the Shares divided by number of trading days in each month.
2. Based on the number of Shares as stated in the Company's monthly return on movements in securities for the end of each month throughout the Review Period and up to the Last Trading Day and assuming the consolidation of every ten (10) issued and unissued shares of par value of HK\$0.001 each in the share capital of the Company into one (1) consolidated share of par value of HK\$0.01 each which became effective on 19 August 2019 having been taken place (the "**Share Consolidation**").
3. Average trading volume of the Shares per trading day during the month divided by total number of the issued Shares of the end of the month
4. During the Review Period, (i) the completion of the placing of 408,000,000 new shares (which were subsequently consolidated into 40,800,000 shares on 19 August 2019) took place on 6 August 2019 (the "**Placing**"); and (ii) 17,391,304 Shares were issued upon exercise of conversion right to the convertible bonds issued on 21 April 2015 in the principal amount of HK\$40 million on 17 December 2019.

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5. For illustrative purpose only, the figures of the average daily turnover and the total market capitalization of the listed securities are extracted from the HKEx monthly market highlights. For calculation of the percentage of the average daily turnover to the total market capitalization of the listed securities, only monthly turnover, number of trading days and month-end total market capitalization are available from the HKEx monthly market highlights. The relevant figures for January 2020 up to and including the Last Trading Day are not available for computation.

Source: the website of the Stock Exchange (www.hkex.com.hk)

As disclosed in the “**HKEx Monthly Market Highlights**” for the Review Period, the percentage of the average daily trading turnover as compared to total market capitalization of listed securities in Hong Kong (including Main Board and GEM listed issuers) during the Review Period ranged from approximately 0.20% to approximately 0.29% with an average of approximately 0.24%, while the percentage of the average daily trading volume of the Shares was below 0.10% of the total number of the issued Shares throughout the Review Period, save for the percentage in July 2019, August 2019 and January 2020 which are exceptionally high as compared to other months. The percentage of average daily trading volume of the Shares as compared to the total number of the issued Shares for each month during the Review Period ranging from approximately 0.02% to 0.45% while the average of approximately 0.15% indicated that the trading volume of the Shares had been thin throughout the Review Period.

In view of the fluctuation in the percentage of the average daily trading volume of the Shares in July 2019, August 2019 and January 2020 which are exceptionally high as compared to other months, the Directors were not aware of any particular matters which might have a material impact on the Share price and trading volume save for (i) the announcements of the Company dated 12 July 2019, 15 July 2019 and 17 July 2019 in relation to the Placing and the Share Consolidation respectively; (ii) the announcement of the Company dated 22 August 2019 in relation to the expansion of the Group’s financial services; and (iii) the 2020 Announcement in relation to, among other things, the Rights Issue, the Subscription and the 2008 CB Terms Amendments, the Directors were not aware of any other public announcements made by the Company and non-public information that were price sensitive in nature.

The relative low liquidity of the Shares may imply that potential investors may seek for a deeper discount on the issue price when the Company issues new Shares as compared to those listed companies with high trading liquidity. In fact, the liquidity of the Shares was also taken into account during the negotiation process between the Company and the Underwriter in relation to the Rights Issue, alongside with the recent unsatisfactory financial performance of the Company. Therefore, the Company determined the Subscription Price at the current level in order to accommodate the investment sentiment of the potential investors and acceptable commercial terms with the Underwriter given the relative low liquidity of the Shares.

In addition, given the imminent needs for the Company to raise an estimated proceeds of approximately HK\$110.00 million (reasons are set out in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this Prospectus) and the prevailing trading price of the Shares during the Review Period, the Rights Issue would

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require a ratio of at least 4 Rights Shares for 1 existing Share under the Subscription Price in order to raise the estimated proceeds. The Directors believe that a discount of approximately 13.39% to the average closing price of the Shares in the past 6 months prior to the Last Trading Day and 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 would be sufficiently attractive for the Shareholders to participate in the Rights Issue and also at the same time enable the Group to procure an underwriter for the Rights Issue.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the 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 Rights Issue are able to sell the nil-paid rights in the market; and (ii) the 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 after deducting the related expenses of the Rights Issue is approximately HK\$0.106.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. For the Non-Qualifying Shareholders, the Company will send copies of this 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 as at the close of business on the Record Date.

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.

As at the Latest Practicable Date, based on the register of members of the Company, the Overseas Shareholders are as follows:

Number of Overseas Shareholders	Jurisdiction of the registered address of the Overseas Shareholders	Number of Shares held
5	The United States of America	539

Each of the Overseas Shareholders represents less than 1% of the total issued Shares as at the Latest Practicable Date.

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The Company has made enquiries pursuant to Rule 17.41(1) of the GEM Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. The Directors were informed by the Company's legal adviser as to the laws of the United States of America that this Prospectus or documents related to the Rights Issue must be registered in the United States of America or comply with certain requirements under applicable exemptions before it may be extended to the Overseas Shareholder in the United States of America. The Directors are of the view that it is necessary and expedient to exclude such Overseas Shareholder in the United States of America for the purpose of the Rights Issue and such Overseas Shareholder will be regarded as a Non-Qualifying Shareholder as the extension of the Rights Issue to such Non-Qualifying Shareholder would, or might, in the absence of compliance with registration or other exemption requirements or other special formalities, be unlawful or impracticable and the cost to be incurred and time required for complying with the registration requirements would outweigh the possible benefits to the Company and the Non-Qualifying Shareholder.

The Company will send this Prospectus (without the PAL and the EAF) 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.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution and consult their professional advisers in relation to the Rights Issue.

It is the responsibility of any person (including but not limited to Shareholders and beneficial owners of the Shares, any agent, custodian, nominee or trustee) receiving a copy of this Prospectus and/or any PAL or EAF outside Hong Kong wishing to take up any Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and observing other formalities and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

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Any acceptance of or application for Rights Shares by any person will constitute a warranty and representation to the Company, from such person, that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong, in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the above representation or warranty.

Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 12 June 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**Merdeka Financial Group Limited — PAL Account**" and crossed "**ACCOUNT PAYEE ONLY**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Friday, 12 June 2020 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES" in the section headed "EXPECTED TIMETABLE" of this Prospectus), whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company is not obliged to but may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant person at a later stage.

If a Qualifying Shareholder wishes to transfer all of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it, the Qualifying Shareholder must complete and sign the "FORM OF TRANSFER AND NOMINATION" in the PAL and hand the PAL to the transferee(s) or through whom the Qualifying Shareholder are transferring his/her/its rights. The transferee(s) must then complete and sign the "REGISTRATION APPLICATION FORM" in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Friday, 12 June 2020 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "EFFECT

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OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES” in the section headed “EXPECTED TIMETABLE” of this Prospectus).

If a Qualifying Shareholder wishes to accept only part of the provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or transfer part/all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 4 June 2020 with the Registrar, who will cancel the original PAL and issue new PAL(s) in the denominations required. The new PAL(s) will be available for collection from the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and cashier’s orders will be presented for payment immediately upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier’s order in the payment of the Rights Shares, whether by the Qualifying Shareholder or such other person(s) to whom the rights to subscribe for the Rights Shares have been validly transferred, will constitute a warranty by such person that the cheque or the cashier’s order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier’s order is dishonoured on first presentation, and in that event the relevant provisional allotment of Rights Shares and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply or subscribe for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will constitute a warranty and representation by such person to the Company that all registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application or subscription for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

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If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Underwriting Agreement as set out in the paragraph headed “Conditions of the Underwriting Agreement” under the sub-section headed “THE UNDERWRITING AGREEMENT” is not fulfilled or waived (as applicable) by the Latest Time for Termination (i.e. at or before 4:00 p.m. on Monday, 15 June 2020), the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Monday, 22 June 2020.

No receipt will be issued in respect of any application monies received.

Excess application for the Rights Shares

Under the 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, 12 June 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 as the giving of such preference may potentially be abused by certain investors by splitting their nil-paid Rights Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; 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

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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.

In the event that the Board noted unusual patterns of excess applications and had reason to believe that any application may have been made with the intention to abuse the mechanism, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Friday, 12 June 2020. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Merdeka Financial Group Limited — EAF Account**" and crossed "**ACCOUNT PAYEE ONLY**". The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them.

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, 21 May 2020.

The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or before Friday, 19 June 2020. If no excess Rights Shares are allotted to the Qualifying Shareholders, a cheque for the amount tendered on application is expected to be refunded in full on or before Monday, 22 June 2020. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the surplus application monies are also expected to be refunded to them on or before Monday, 22 June 2020.

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All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection of the EAF and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty. Completion and return of the EAF with a cheque or a cashier's order will constitute a warranty by the applicant that the cheque or the cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

If the Underwriter exercises the right to terminate the Underwriting Agreement at or before the Latest Time for Termination or if the conditions of the Underwriting Agreement are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered address at their own on or before Monday, 22 June 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).

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 1,048,802,876 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 Rights Issue.

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Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots (if any) of the Rights Shares arising from the Rights Issue, Merdeka Securities Limited has been appointed to provide matching service for odd lots of the Rights Shares arising from the Rights Issue at the relevant market price per Share for the period from Tuesday, 23 June 2020 to Tuesday, 14 July 2020 (both dates inclusive). Shareholders of odd lots of the Rights Shares 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 should contact Mr. Chow Man Ho of Merdeka Securities Limited at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Central, Hong Kong (telephone number (852) 2868 1063) during this period. Holders of odd lots of the Rights Shares should note that odd lots matching services of the sale and purchase of odd lots of the Rights Shares is on best effort basis and not guaranteed.

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, share 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, 22 June 2020.

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Monday, 22 June 2020 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. 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, 22 June 2020 by ordinary post to the applicants at their own risk, to their registered addresses.

Each Shareholder (except HKSCC Nominees Limited) will receive one share certificate for all allotted Rights Shares.

Application for listing of the Rights Shares

The Company has applied to the GEM Listing Committee 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.

LETTER FROM THE BOARD

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. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

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.

Taxation

Qualifying Shareholders are recommended 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. It is emphasized that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Rights Shares in both their nil-paid and fully-paid forms.

Conditions of the Rights Issue

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

In addition, according to Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders at the Adjourned EGM by passing the necessary resolution(s). The necessary resolution(s) for approving the Rights Issue has been duly passed by the Independent Shareholders at the Adjourned EGM on Monday, 18 May 2020 at 11:00 a.m..

LETTER FROM THE BOARD

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) (as amended and supplemented by the extension letters dated 31 January 2020, 21 February 2020, 13 March 2020 and 14 April 2020)

Underwriter : Head & Shoulders Securities Limited

Number of Rights Shares : 1,048,802,876 Rights Shares

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 705,236,876 Rights Shares

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 Company has entered into the extension letters on 31 January 2020, 21 February 2020, 13 March 2020 and 14 April 2020 respectively with the Underwriter, pursuant to which the Company and the Underwriter mutually agreed to revise the timetable for implementation of the Rights Issue and except for the extension of the timetable, all other terms of the Underwriting Agreement remain the same.

LETTER FROM THE BOARD

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) 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 Latest Practicable Date, 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 and complied with Rule 10.24A(1) of the GEM Listing Rule.

As at the Latest Practicable Date, the Underwriter is wholly owned by Endless Source Limited, which is in turn owned as to 50% by Dr. Choi Chiu Fai Stanley (“**Dr. Choi**”) and as to 50% by Ms. Cheung Fung Kuen Maggie who is the spouse of Dr. Choi.

Save for (i) the Underwriting Agreement, the provision of company secretarial services to 2 private companies which are owned as to 50% each by Dr. Choi and Ms. Cheung Fung Kuen Maggie by the Group, the provision of company secretarial and financial advisory services to International Entertainment Corporation (stock code: 1009) (a company listed on the Stock Exchange which is owned as to approximately 55.82% by Dr. Choi) (“**IEC**”) by the Group; and (ii) certain amount of share options of IEC was granted to Mr. Wong's wholly-owned private company on 9 July 2018, the Company and its connected persons have no other relationship (i.e. business or otherwise) with the Underwriter and its ultimate beneficial owners as at the Latest Practicable Date.

In addition, as disclosed in the announcement of the Company dated 12 July 2019, the Underwriter and the Company entered into a placing agreement in relation to the placing of up to 408,000,000 Shares (which were subsequently consolidated into 40,800,000 Shares on 19 August 2019) under general mandate and the placing was completed on 6 August 2019.

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. Given the unsatisfactory financial position of the Group, thin trading volume of the Shares and the required funding size of the Rights Issue, it was difficult to procure underwriter with favourable terms to the Company. The Company has approached three financial institutions including the Underwriter concerning the Rights Issue based on the current proposed structure and out of the three institutions, the Underwriter quoted a reasonable underwriting commission rate while one of the financial institutions did not express its interest for such role.

Having considered (i) the underwriting commission offered by the Underwriter is comparable to that offered by other financial institutions in the market; and (ii) the experience and financial resources of the Underwriter for underwriting such securities, the Directors 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.

LETTER FROM THE BOARD

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 this 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

LETTER FROM THE BOARD

- (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.

As at the Latest Practicable Date, none of the conditions set out above has been satisfied or waived.

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 thereof) 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

LETTER FROM THE BOARD

- (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 ^(Note), 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 this Prospectus and not having been disclosed in this 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 the 2020 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,

Note: Epidemic includes the outbreak of novel coronavirus.

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.

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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 Rights Issue will not proceed.

As at the Latest Practicable Date, the Board has not received any notice from the Underwriter of its intention to terminate the Underwriting Agreement in light of the ongoing and the current outbreak situation of novel coronavirus or any others reasons.

If the Underwriter or the Company terminates the Underwriting Agreement, the 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 Latest Practicable Date, 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 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 this Prospectus and EAF(s).

As at the Latest Practicable Date, (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.

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The purpose in obtaining the CB Holders' Irrevocable Undertakings is to fix the number of the issued Shares (other than the Shares which may fall to be allotted and issued upon the exercise of the Outstanding Shares Options, which is relatively insignificant) as at the Record Date, and thus the number of the Rights Shares to be allotted and issued. For instance, in the absence of the CB Holders' Irrevocable Undertakings, the number of issued Shares as at the Record Date may substantially differ from the number of the issued Shares as at the Last Trading Day given that an additional 130,597,895 Shares may be allotted and issued upon exercise of the conversion rights attached to the 2008 Convertible Bonds in full by the CB Holders.

As the terms of the Underwriting Agreement and the amount of the commission were determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the scale of the Rights Issue, the provision of the irrevocable undertaking by each of the CB Holders would fix the number of Rights Shares to be underwritten by the Underwriter in the Underwriting Agreement and lower the commission expense incurred by the Company.

Given that, subject to the fulfillment of the conditions precedent, the 2008 CB Transfer Completion shall only take place on the fifth (5th) Business Day after completion of the Rights Issue or the date of termination or lapse of the Rights Issue (whichever is the earlier) (or such later date as the parties may agree in writing), the very purpose in obtaining the CB Holders' Irrevocable Undertakings can still be served notwithstanding the 2008 CB Transfer.

As at the Latest Practicable Date, the Company has not received any notice from Mr. Cheung in relation to his intention for subscribing for the Rights Shares.

Save for the Team Sunny Irrevocable Undertaking and the CB Holders' Irrevocable Undertakings, as at the Latest Practicable Date, 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.

REASONS FOR AND BENEFITS OF THE 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.

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The estimated net proceeds of the Rights Issue will be approximately HK\$110.80 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 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 Latest Practicable Date, 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 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 reached its maturity date in 2017 and it is the Company's obligation to settle the 2014 PN as soon as the circumstances allow. Upon completion of the proposed Rights Issue, Ivana (i) will remain the registered holder of the 2008 Convertible Bonds in the principal amount of HK\$55.00 million if the 2008 CB Transfer Completion does not take place; or (ii) will cease to hold any of the 2008 Convertible Bonds if the 2008 CB Transfer Completion has taken place.

Upon the 2008 CB Terms Amendments becoming effective, the maturity date of the 2008 Convertible Bonds will be further extended to 12 August 2023. Having said that, the Fourth Supplemental Deed was entered into between the Company and the CB Holders, in particular, Ivana, on the understanding between the parties and the representation made by the Company that the Company will carry out the Rights Issue and part of the net proceeds arising therefrom in the amount of HK\$55 million will be applied for the partial repayment of the 2008 Convertible Bonds to Ivana. Against such backdrop, a holistic approach should be adopted in assessing the funding need of the Company to carry out the Rights Issue i.e. balancing the terms and repayment schedule of all the Group's debts, the willingness of extension by the creditors, the feasible funding size for the Rights Issue etc. It is always the Group's strategy to redress the financial position of the Group and improve the quality of the Group's financial resources through reducing the Group's gearing ratio. Given that the significant amount of liability indebted to Mr. Cheung, the maturity date of the 2008 Convertible Bonds has already been extended for three times and Mr. Cheung Advance was meant to be short-term bridge loans to support the short-term liquidity of the Group, the Company is of the view that it is indispensable to repay part of Mr. Cheung's debts (to the extent possible) and also the 2014 PN which is due and payable as soon as the circumstances allow. Therefore, the Board considers that the Rights Issue is imminent for the Group to reduce its gearing ratio and allocate resources on profitable business segments which will be beneficial to the Shareholders.

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As at the Latest Practicable Date, the outstanding balance of Mr. Cheung Advance is approximately HK\$12.64 million. Mr. Cheung Advance does not have any term, interest or security and it is repayable on demand to Mr. Cheung. Mr. Cheung's first advance to the Company was made in April 2018 (the "**First Mr. Cheung Advance**") and subsequently, Mr. Cheung had provided various advances to the Company when the cash level of the Company reached a minimal level. The last advance provided by Mr. Cheung was in April 2019 (the "**Last Mr. Cheung Advance**") and throughout the period between the First Mr. Cheung Advance and the Last Mr. Cheung Advance, the advances were all already utilised on the general working capital of the Group, including but not limited to, wages, rental expenses, legal and professional expenses and expenses related to daily business operations and the Company had settled Mr. Cheung Advance from time to time when the Company had additional cash. Given that (i) it is always the Company's practice and intention to settle Mr. Cheung Advance when situation allows as abovementioned; and (ii) Mr. Cheung Advance is repayable on demand (which means Mr. Cheung can demand the full repayment of the Mr. Cheung Advance at any time at his sole discretion) while the 2008 Convertible Bonds has a certain repayment date and the CB Holders agreed to extend the maturity date of the 2008 Convertible Bonds to August 2023, therefore, repaying Mr. Cheung Advance can relieve the uncertainty of the Group's repayment of debt's schedule, which is fair and reasonable and is in the interest of the Group.

As disclosed in the circular of the Company dated 29 January 2014, the 2014 PN was issued to Hero Win Development Limited (the "**2014 Vendor**") as the consideration for acquisition of the entire issued share capital of Ever Hero Group Limited pursuant to the terms and conditions of the conditional sale and purchase agreement dated 6 September 2012 (the "**2014 Acquisition**"). The 2014 Vendor is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Kong Lung Cheung, Jeff ("**Mr. Kong**"). Each of the 2014 Vendor and Mr. Kong are Independent Third Parties and Mr. Kong and his associates have no business relationship with the Company and its connected persons except for the 2014 Acquisition. As at the Latest Practicable Date, the amount of the outstanding interests incurred from the 2014 PN was approximately HK\$7.06 million (comprises approximately HK\$3.06 million as the accumulated interest at maturity and approximately HK\$4 million as default interest) and to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, each of the 2014 Vendor and Mr. Kong is still an Independent Third Party. Save for the 2014 Acquisition, Mr. Kong and his associates have no other business relationship with the Company and its connected persons as at the Latest Practicable Date.

The 2014 PN in the principal amount of HK\$51 million issued by the Company was due on 4 April 2017. The Company has used its best endeavors to repay the 2014 PN since the maturity date of the 2014 PN when the financial condition of the Company allows. As at the maturity date of the 2014 PN, the outstanding amount of the 2014 PN was approximately HK\$26.64 million (including approximately HK\$3.06 million as the accumulated interests for the 2014 PN). As at the Latest Practicable Date, the outstanding amount of the 2014 PN is approximately HK\$14.86 million, comprising of approximately HK\$7.06 million as the accrued interests and approximately HK\$7.8 million as principal. Due to the minimal cash level and the significant amount of debts incurred by the Group by then, the Company was not able to settle the outstanding amount of the 2014

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PN and given the 2014 Vendor and the then executive Director and managing Director, Mr. Lau Chi Yan, Pierre, has met for long, the 2014 Vendor understands the financial difficulties faced by the Group and agrees that it will refrain from taking action to recover the outstanding amount for the moment and the Company shall settle the outstanding amount of the 2014 PN as soon as the Company improves its financial condition.

The Board has considered alternative possible financing methods (including bank borrowings and placing of Shares) to raise fund. 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 and debt financing may not be feasible for the Group as such mean (i) will further deteriorate the net liabilities position of the Group which expose the Group to higher financial risk; (ii) will further increase finance costs of the Company; and (iii) is normally for fixed term and the failure in renewal of the term would materially affect the liquidity of the Company particularly when the Company has made long term investments.

As opposed to the Rights Issue, placing of new Shares under general mandate can only raise funds in smaller size and does not allow the Shareholders to maintain their respective shareholding in the Company. In addition, the Company has already utilised its general mandate to issue Shares by way of placing on 12 July 2019. The Board considered that if the Company were offering a greater discount to new subscriber(s) who are not existing Shareholders, it would further cause dilution impact to the existing Shareholders and such arrangement would not be in the interest of the Shareholders as they cannot participate. The Board considers that the Rights Issue effected on a pro-rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and the Subscription Price at a price lower than the current market level is to encourage the Qualifying Shareholders to participate in development of the Company, whereas open offer does not provide the flexibility to the Shareholders who wish to subscribe for the Rights Share to increase their shareholding interests in the Company by acquiring additional rights entitlements in the open market or to the Shareholders who opt not to subscribe for the Rights Shares to reduce their shareholding interests in the Company by disposing their nil-paid Rights Shares during the prescribed period of time for economic benefits.

Therefore, 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.

Furthermore, 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

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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. According to the annual report of the Company for the year ended 31 December 2019 (“**2019 Annual Report**”), since the commencement of the corporate finance advisory business in the second half of 2019, the corporate finance advisory business was able to generate approximately HK\$1.3 million revenue to the Group within 5 months up to 31 December 2019. As at the Latest Practicable Date, Merdeka Investment is the investment manager of an open-ended Cayman Islands investment fund, with current assets under management of approximately USD116 million and an investment scope including but not limited to, investing on private equity, secondary market, fixed income products etc. Also, Merdeka Investment is in preliminary discussion with 2 potential investors and/or private funds to act as investment manager/advisor to provide discretionary investment management solutions and/or investment advisory services in return for management/advisory fees. However, no concrete terms and fund size has been agreed between Merdeka Investment and the potential clients as at the Latest Practicable Date.

As noted from the first quarterly report for the three months ended 31 March 2020 (“**First Quarterly Report**”), given the satisfactory performance of the businesses of corporate financial advisory services and asset management services, the Group will continue to explore business opportunities within the financial services business segment and if suitable opportunities arise, the Group will expand its traditional financial services business into the financial technology industry in order to capture the potential growth of such segment and potentially to create synergy effect with the Group’s existing financial services business, the satisfactory performance of the businesses of corporate financial advisory services and asset management services.

On 14 August 2019, the Group has invested a minority stake of YAS Digital Limited, a Hong Kong-based regional insurance technology company making insurance digital and more hyper-personalized in markets and as a stepping stone for the Group’s entry into the financial technology industry. As all the applicable percentage ratios under the GEM Listing Rules are lower than 5%, it does not constitute a notifiable transaction on the part of the Company under the GEM Listing Rules. As at the Latest Practicable Date, the changes of the financial performance of the Company’s investment in YAS Digital Limited is minimal.

On 20 March 2020, Joy Sunny Investment Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with two independent third parties (collectively, the “**Vendors**”) regarding the Group’s intention to acquire certain amount of shares of YAS Digital Limited owned by the Vendors at a consideration subject to further negotiation by the parties thereto. Details of which are set out in the announcement of the Company dated 20 March 2020 and as at the Latest

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Practicable Date, the Company is still negotiating with the Vendors in relation to the terms of the potential acquisition. Save for that, as at the Latest Practicable Date, the Company has not identified other investment opportunities.

The expected funding needs for the Company in the next 12 months

The Company's expected funding needs for the next 12 months from the Latest Practicable Date is approximately HK\$26.40 million, which is equivalent to the estimated general working capital for the Group's business operation of approximately HK\$2.20 million per month. Such funding needs are estimated on the basis of the following key assumptions or factors: (i) the completion of the Rights Issue; (ii) no early redemption by the holders of the 2008 Convertible Bonds and the Team Sunny Convertible Bonds; and (iii) no material change to the political, legal, fiscal, market or economic conditions in the regions in which the Group's business operation is based.

As noted from the 2019 Annual Report, there is a material uncertainty on the Group's ability to continue as a going concern, which is due to the net current liabilities position of the Group. Despite that, upon the passing of the resolutions for the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments at the Adjourned EGM and the completion of these transactions, the Group can (i) repay part of its existing and overdue debts (i.e. part of the principal amount of the 2008 Convertible Bonds, Mr. Cheung Advance and the 2014 PN); (ii) capitalize the debts owed to Mr. Wong into the Team Sunny Convertible Bonds with a maturity term of three year; (iii) extend the maturity date of the remaining 2008 Convertible Bonds for three years to 2023; and (iv) bring in additional cash inflow for the Group's working capital, which will improve the Group's net current liabilities position and relieve the Group's short term cash flow pressure on business operations.

According to the First Quarterly Report, as at 31 March 2020, the Group recorded current liabilities of approximately HK\$274.01 million and current assets of approximately HK\$147.30 million, leading to net current liabilities of approximately HK\$126.71 million. Assuming the abovementioned effect have taken place as at 31 March 2020 and for illustrative purposes only, the current liabilities of the Group would be reduced by (i) the repayment of 2008 Convertible Bonds amounted to approximately HK\$55.00 million, Mr. Cheung Advance amounted to approximately HK\$12.64 million and the due 2014 PN amounted to approximately HK\$14.86 million; (ii) the capitalization of the debts owed to Mr. Wong in the amount of approximately HK\$39.81 million into the Team Sunny Convertible Bonds with a three year maturity term; (iii) the extension of the remaining 2008 Convertible Bonds with a three year maturity term to year 2023 amounted to approximately HK\$64.18 million, causing the current liabilities of the Group as at 31 March 2020 to be lowered to approximately HK\$87.52 million ("**Adjusted Current Liabilities**"). On the other hand, the Rights Issue would also generate a cash inflow of approximately HK\$28.30 million to the Group for its general working capital purposes, which causing the net current assets of the Group as at 31 March 2020 to be increased to approximately HK\$175.60 million ("**Adjusted Current Assets**"). Hence, the Adjusted Current Assets would be greater than the Adjusted Current Liabilities of approximately HK\$88.08 million that the Group would be in net current assets position.

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In addition, the Directors are of the opinion that, after due and careful enquiry and taking into account the present internal financial resources available to the Group and taking into account the completion of the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments, the Group has sufficient working capital for its business for at least the next twelve months from the date of this Prospectus. As at the Latest Practicable Date, the Company has no definitive plans for any further equity fund raising activities. However, should the Company identify any investment opportunity which is in line with its investment strategy and can provide remunerative returns, or should any extra funding needs arise in the next 12 months, the Company may consider other funding methods to finance such investment and/or such funding needs.

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 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.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

Business risk relating to the Group

As at the Latest Practicable Date, 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.

(i) Financial services business

The Group's financial services business in relation to securities brokerage services, provision of corporate finance advisory services and asset management business are highly dependent on the activeness of the financial market in Hong Kong. Any sudden downturn

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in the global economic and sudden change in political environment, which are beyond the control of the Group, may adversely affect the financial market sentiment. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn incur adverse impact on the business and operating performance of the Group. As such, the revenue and profitability of the Group may fluctuate and there is no assurance that the Group will be able to maintain our historical financial results under difficult or unstable economic conditions.

In addition, the Hong Kong financial market in which the Group operate is highly regulated. There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial services industry, including but not limited to, the SFO, the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time, the GEM Listing Rules, the trading rules of the Stock Exchange and the Takeovers Code. Any such changes might result in an increase in the cost of compliance, or might restrict the business activities of the Group. In case the Group fails to comply with the applicable rules and regulations from time to time, it might result in fines, restrictions on the Group's activities or even suspension or revocation of some or all of the licences for carrying on the business activities of the Group. Accordingly, the business operation and financial results might be materially and adversely affected.

Regarding the Group's financial leasing business and money lending business, these two segments are subject to risks that a customer or counterparty may fail to perform its contractual obligations or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material non-payment or non-performance by a customer or counterparty could adversely affect the Group's financial position, results of operations and cash flows. In addition, both businesses are highly pegged with the fluctuation of interest rates and change of monetary policies, which may be affected due to the economic, political and social conditions both locally and globally and are beyond the Group's control.

(ii) Corporate consulting business

The Group's corporate consulting business segment may be affected by, among other things, demand for its services, its capacity to undertake new projects, the number of listed companies and corporate actions conducted by them in Hong Kong as well as other external factors which may be outside the control of the Group.

Also, we materially rely on our staff to provide reliable and quality corporate consulting services to our clients, and believe that our experienced staff have developed strong relationships with our clients through their ability to provide personalised services through understanding clients' needs. There is however no guarantee that our staff will or are willing to continue to serve our Group which might negatively influence our client base and business relationship with them.

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Market competition is another key factor affecting our business. Apart from the large multi-national corporate consultancy institutions with global network and local presence in Hong Kong, the Group face local competition from branded medium-sized and well-established corporate consultancy firms, which offer similar range of services as our Group. The Group may not be able to compete effectively and successfully with the competitors and its results of operations may be adversely affected should such competition is being intensified.

(iii) Trading business

Trading business continues to provide a stable source of revenue to the Group. The business is running steadily but competitive with a thin profit margin, the Group is expanding its trading business into more variety of consumer products. The Group's trading outlet is located in Sheung Shui, where is nearer to its customers visiting Hong Kong from the PRC. The variety of the Group's trading products has been enlarged to confectioneries and pharmacy products and sourced locally and from overseas, such as Japan and other Asia countries. Any amendment or addition to existing laws and regulations of such countries may affect future profitability of the operation.

Given the profit margin is minimal, any further decrease in market price or increase in competition will further reduce profit margin of the business. The Group has been actively seeking to secure appropriate suppliers at reasonable cost. Before that is achieved there is a risk that the Group may not be able to operate the trading business at sufficient profit margin continuously under a competitive environment.

Furthermore, as the targeted customers of the Group are those visiting Hong Kong from the PRC, if hostility between Hong Kong civilians and PRC visitors continue to rise and intensify, it could result in a negative impact on the tourism and retail industries in Hong Kong which could deter PRC tourists from visiting Hong Kong.

The outbreak of novel coronavirus

The World Health Organization has declared the novel coronavirus outbreak a public health emergency of international concern on 31 January 2020. Hong Kong's Department of Health has introduced (i) the compulsory quarantine arrangement to persons arriving at Hong Kong from foreign places on 19 March 2020; and (ii) the prohibition against group gatherings under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong), and noticed the public should go out less and reduce social activities, and maintain appropriate social distance with other people as far as possible. Hong Kong has also restricted travel from the PRC by suspending train services and closing certain borders with the PRC. The number of flights from the PRC has been reduced significantly and person travel permits for people from the PRC have also been suspended.

All these additional virus-control policies will hit the Hong Kong tourism industry hard. Due to the big reduction in the number of PRC tourists visiting Hong Kong, it is expected that there is a sharp decline in revenue of the trading business of the Group as it relies heavily on the PRC tourists consumption. As stated in the section "Latest

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Developments” in Hong Kong Economy, which is a website providing updated information on the Hong Kong economy monitored by Hong Kong government economist, retail sales volume continued to decline sharply by 21.0% year-on-year in December 2019, as the impact of the local social incidents on consumption and tourism-related activities remained severe. For the fourth quarter of 2019 as a whole, the volume of retail sales fell by 24.1% year-on-year, representing the largest quarterly decline on record. Recently, the business environment for retail trade has become even more difficult, with the threat of the novel coronavirus infection heavily weighing on inbound tourism and local consumption sentiment. The near-term outlook for retail sales depends critically on how the situation of the novel coronavirus infection will evolve and therefore, the trading business of the Group remains uncertain.

The prohibition against group gatherings under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) will not have a direct impact to the business operation of the Company, however, if the number of PRC tourists to Hong Kong continues to decrease, the trading business of the Group could be adversely affected.

(iv) Information technology business

The Group’s information technology business is minimal. Given the fact that information technology segment is under rigorous competition throughout the world. There is no assurance that the Group will be able to anticipate the timing and scale of its competitors’ activities and initiatives or to successfully counteract them, which could harm the business of the Group. Increased competition and the need for the Group to respond to activities of competitors could generate additional staff cost, result in price reduction and reduced profit margins and/or loss of market share, any of which could adversely affect the Group’s performances.

As set out in the 2019 Annual Report, the trading business is contributed from the trading outlet located in Sheung Shui. Despite the revenue from trading business is the major contributor to the Group’s revenue, the competition of the trading business is fierce which lead to a thin gross profit margin and a segment loss was recorded for the financial year ended 31 December 2019.

Following the expansion of the Group’s financial services and corporate consulting services segments, including (i) the completion of the acquisition of the entire interest in Merdeka Professional Services Limited (formerly known as Veda Corporate Services Limited) and its subsidiaries, the revenue contributed from corporate consulting business for the financial year ended 31 December 2019 was approximately HK\$8.91 million and a segment profit was approximately HK\$2.58 million; (ii) the commencement of the provision of advisory services on corporate finance; and (iii) management/advisory fees to be received by Merdeka Investment upon taking an investment manager/advisor role of an investment fund, which are businesses that incur less operation costs in nature, will exert a positive effect to the profit level of the Group in whole.

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Despite the outbreak of novel coronavirus, the Board is of the view that the expansion in its service scope in financial industry since 2019 could compensate the low profit margin of the trading business due to intense competition, hence the overall business performance of the Group would not be significantly influenced.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, 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 2008 CB Terms Amendments, the 2008 CB Transfer and the allotment and issue of all the 2008 Conversion Shares is as follow:

	(1) As at the Latest Practicable Date		(2) Assuming all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		(3) Assuming 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		(4) Assuming 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 the allotment and issue of the Team Sunny Conversion Shares ^(note 3)		(5) Assuming 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; the allotment and issue of the Team Sunny Conversion Shares; and the completion of the 2008 CB Terms Amendments, the 2008 CB Transfer and allotment and issue of all the 2008 Conversion Shares ^(note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders										
Team Sunny ^(note 1)	47,164,000	17.99	235,820,000	17.99	390,730,000	29.80	752,599,554	44.99	1,252,599,554	54.44
Cheung Wai Yin, Wilson ^(note 2)	55,781	0.02	278,905	0.02	55,781	0.00	55,781	0.00	55,781	0.00
CB Holders (Mr. Jin and Mr. Shang)	—	—	—	—	—	—	—	—	127,890,909	5.56
Underwriter ^(note 5)	—	—	—	—	262,236,876	20.00	262,236,876	15.68	262,236,876	11.40
Sub-underwriters ^(note 5)										
— Sub-Underwriter A	—	—	—	—	325,000,000	24.80	325,000,000	19.43	325,000,000	14.13
— Sub-Underwriter B	—	—	—	—	118,000,000	9.00	118,000,000	7.05	118,000,000	5.13
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	9.34
Total	262,200,719	100.00	1,311,003,595	100.00	1,311,003,595	100.00	1,672,873,149	100.00	2,300,764,058	100.00

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.
- (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.

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- (4) The shareholding structure is prepared for illustrative purpose only. There is no right for any CB Holder(s) and/or Team Sunny to convert any principal amount of the 2008 Convertible Bonds held by the CB Holder(s) and/or Team Sunny 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.

The CB Holder(s) shall have the right to convert any principal amount of the 2008 Convertible Bonds held by the CB Holder(s), at any time during the conversion period. Pursuant to the Takeovers Code, if applicable after conversion, the CB Holder(s) should, and should procure its/their parties acting in concert within the meaning of the Takeovers Code, to comply with their respective obligations under the Takeovers Code, including the mandatory offer obligations under Rule 26.1 of the Takeovers Code, within the timeframe prescribed by the Takeovers Code, or where applicable, obtain a whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code should such obligations arise. Team Sunny shall have the right to convert any principal amount of the Team Sunny Convertible Bonds and the 2008 Sale Convertible Bonds upon 2008 CB Transfer Completion into Team Sunny Conversion Shares and the 2008 Conversion Shares respectively, at any time during the conversion period. If applicable, Team Sunny should, and should procure its/their parties acting in concert within the meaning of the Takeovers Code, to comply with their respective obligations under the Takeovers Code, including the mandatory offer obligations under Rule 26.1 of the Takeovers Code, within the timeframe prescribed by the Takeovers Code, or where applicable, obtain a whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code should such obligations arise.

- (5) Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure, including the sub-underwriters, 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. Save for the Team Sunny Irrevocable Undertaking and assuming none of the Qualifying Shareholders take up the Rights Shares to be provisionally allotted to them, the Underwriter shall underwrite 705,236,876 Rights Shares, representing approximately 53.80% of the enlarged share capital of the Company upon completion of the Rights Issue. To ensure the compliance of the public float requirements under the GEM Listing Rules can be fulfilled by the Company and without triggering any mandatory general offer obligation under Rule 26 of the Takeovers Code, the Underwriter has engaged two sub-underwriters, being Ever Joy Securities Limited (“**Sub-Underwriter A**”) and I Win Securities Limited (“**Sub-Underwriter B**”) who are third parties independent of, not acting in concert with and not connected with the Company and its connected person, any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates and are independent of each other, to sub-underwrite 325,000,000 Underwritten Shares for Sub-Underwriter A and 118,000,000 Underwritten Shares for Sub-Underwriter B (representing approximately 24.80% and approximately 9.00% of the enlarged share capital of the Company immediately after completion of the Rights Issue) respectively. Apart from the aforesaid sub-underwriting commitment, the said sub-underwriters did not hold any Shares and the Underwriter and both of the sub-underwriters have not yet procured subscriber(s) for the Underwritten Shares as at the Latest Practicable Date.
- (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.

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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 Latest Practicable Date:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
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 Latest Practicable Date, 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 has been appointed to certify the necessary adjustments to the exercise prices and numbers of the Outstanding Share Options and such adjustments will be made by the Company in this regard in the allotment results announcement of the Right Issue.

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

Shareholders and potential investors of the Company should note that the 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 section headed “Termination of the Underwriting Agreement” in this Prospectus). Accordingly, the Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-rights basis from Wednesday, 20 May 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 2 June 2020 to Tuesday, 9 June 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 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 Rights Issue may not become unconditional or may not proceed.

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

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Prospectus. In case of any inconsistency between the English and Chinese versions of this Prospectus, the English version will prevail.

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

1. FINANCIAL SUMMARY OF THE GROUP

Details of the unaudited consolidated financial statement of the Group for the three months ended 31 March 2020 and the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 2018 and 2019, are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.merdeka.com.hk/>).

- (i) The unaudited financial information of the Group for the three months ended 31 March 2020 is disclosed in the first quarterly report of the Company for the three months ended 31 March 2020 published on 15 May 2020, from pages 1 to 29:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0515/2020051501895.pdf>

- (ii) The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 14 May 2020, from pages 77 to 211:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0514/2020051401651.pdf>

- (iii) The audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 29 March 2019, from pages 61 to 161:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0329/gln20190329359.pdf>

- (iv) The audited financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 29 March 2018, from pages 52 to 145:

<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0329/gln20180329111.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement, the details of the Group's outstanding borrowings were set out as follows:

As at 31 March 2020, the Group had bank overdraft and bank borrowings of HK\$2,001,000 and HK\$3,000,000 respectively, which were secured by the Group's time deposit of HK\$4,124,000 and guaranteed by a subsidiary of the Company.

As at 31 March 2020, the Group had outstanding 2008 Convertible Bonds with principal amount of HK\$124,068,000. The 2008 Convertible Bonds are unsecured, zero coupon and matured on 12 August 2020.

As at 31 March 2020, Mr. Cheung Wai Yin, Wilson (“**Mr. Cheung**”), the chairman (the “**Chairman**”), the chief executive officer and an executive Director of the Company, advanced fund of approximately HK\$12.6 million to the Company at no interest, no security and no fixed repayment terms.

As at 31 March 2020, Mr. Wong, the substantial shareholder of the Company, advanced fund of approximately HK\$33.5 million to the Company. The principal amount of approximately HK\$20.5 million was at an interest rate of 5.125% per annum, in which principal amount of approximately HK\$5.5 million will be matured after twelve months from the drawdown date and principal amount of approximately HK\$15.0 million will be matured on 11 August 2020. The principal amount of HK\$13.0 million was at an interest rate of 5.0% per annum, in which principal amount of HK\$10.0 million will be matured on 29 October 2020 and principal amount of HK\$3.0 million will be matured on 23 January 2021. All the loans advanced by Mr. Wong to the Company were unsecured.

As at 31 March 2020, the Group had outstanding promissory notes with aggregate amount of approximately HK\$51,910,000, including 2014 PN with outstanding amount of approximately HK\$14,856,000 and 2019 PN with outstanding principal amount of HK\$8,000,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2020, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Save as aforementioned in this indebtedness statement and the issue of Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651 on 21 May 2020 which has offsetted the principal amount of 2019 PN and all the outstanding principal amount and part of the accrual interests of Mr. Wong’s loans, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 March 2020, up to and including the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

As noted from the 2019 Annual Report, there is a material uncertainty on the Group’s ability to continue as a going concern, which is due to the net current liabilities position of the Group. Despite that, upon the passing of the resolutions for the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments at the Adjourned EGM and the completion of these transactions, the Group can (i) repay part of its existing and overdue debts (i.e. part of the principal amount of the 2008 Convertible Bonds, Mr. Cheung Advance and the 2014 PN); (ii) capitalize the debts owed to Mr. Wong into the Team Sunny Convertible Bonds with a maturity term of three years; (iii) extend the maturity date of the remaining 2008 Convertible Bonds for three years to 2023; and (iv) bring in additional cash inflow for the Group’s working capital, which will improve the Group’s net current liabilities position and relieve the Group’s short term cash flow pressure on business operations.

According to the First Quarterly Report, as at 31 March 2020, the Group recorded current liabilities of approximately HK\$274.01 million and current assets of approximately HK\$147.30 million, leading to net current liabilities of approximately HK\$126.71 million. Assuming the abovementioned effect have taken place as at 31 March 2020 and for illustrative purposes only, the current liabilities of the Group would be reduced by (i) the repayment of 2008 Convertible Bonds amounted to approximately HK\$55.00 million, Mr. Cheung Advance amounted to approximately HK\$12.64 million and the due 2014 PN amounted to approximately HK\$14.86 million; (ii) the capitalization of the debts owed to Mr. Wong in the amount of approximately HK\$39.81 million into the Team Sunny Convertible Bonds with a three year maturity term; (iii) the extension of the remaining 2008 Convertible Bonds with a three year maturity term to year 2023 amounted to approximately HK\$64.18 million, causing the current liabilities of the Group as at 31 March 2020 to be lowered to approximately HK\$87.52 million (“**Adjusted Current Liabilities**”). On the other hand, the Rights Issue would also generate a cash inflow of approximately HK\$28.30 million to the Group for its general working capital purposes, which causing the net current assets of the Group as at 31 March 2020 to be increased to approximately HK\$175.60 million (“**Adjusted Current Assets**”). Hence, the Adjusted Current Assets would be greater than the Adjusted Current Liabilities of approximately HK\$88.08 million that the Group would be in net current assets position.

The Directors are of the opinion that the Group has sufficient working capital for its business for at least the next twelve months from the date of this Prospectus after due and careful enquiry and taking into account the present internal financial resources available to the Group and taking into account the completion of the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the outbreak of the novel coronavirus pneumonia (COVID-19) epidemic in China since January 2020 as mentioned in the sub-section “The outbreak of novel coronavirus” under the section “RISK FACTORS” in the “LETTER FROM THE BOARD” of this Prospectus, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT

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.

According to the 2019 Annual Report, for the year ended 31 December 2019, the Group recorded revenue of approximately HK\$482.7 million (2018: approximately HK\$559.8 million). Loss for the year attributable to owners of the Company was

approximately HK\$84.1 million (2018: approximately HK\$92.1 million). Basic and diluted loss per share was approximately HK\$0.35 (2018: approximately HK\$0.42). The net loss for the year was mainly attributable from the impairment loss on finance lease receivables.

Given the downturn of the PRC financial leasing business, it is the Group's strategy to strengthen and expand its licensed financial services business under the Securities and Futures Commission of Hong Kong. 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. According to the 2019 Annual Report, since the commencement of the corporate finance advisory business in the second half of 2019, the corporate finance advisory business was able to generate approximately HK\$1.3 million revenue to the Group within 5 months since it obtained the license.

In addition, the Group has also completed the acquisition of the remaining 49% share interest in 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 Latest Practicable Date, Merdeka Investment is the investment manager of an open-ended Cayman Islands investment fund, with current assets under management of approximately USD116 million and an investment scope including but not limited to, investing on private equity, secondary market, fixed income products etc. Merdeka Investment is in preliminary discussion with 2 potential investors and/or private funds to act as an investment manager/advisor to provide discretionary investment management solutions and/or investment advisory services in return for management/advisory fees. As at the Latest Practicable Date, no concrete terms and fund size has been agreed between Merdeka Investment and the potential clients. Merdeka Investment is a service providing business, as such, its operations are expected to require minimal capital expenditure.

As noted in the 2019 Annual Report, the substantial segment loss in the financial services business segment for the financial year ended 31 December 2019 was due to an impairment loss on finance lease receivables, which is considered as an one-off basis. Despite that, given the unique globalised financial and legal systems of Hong Kong, it is expected that Hong Kong will remain one of the leading international financial centres in the world. Therefore, the Board considers that the provision of advisory services on corporate finance and investment management under the licenses from the Securities and Futures Commission of Hong Kong, will definitely be benefitted from the irreplaceable financial position of Hong Kong in Asia Pacific. Hence, the Board will continue to explore business opportunities within the financial services business segment and if suitable opportunities arise, the Group will expand its traditional financial services business into the financial technology industry in order to capture the potential growth of such segment and potentially to create synergy effect with the Group's existing financial services business.

On 14 August 2019, the Company has invested a minority stake of YAS Digital Limited, a Hong Kong-based regional insurance technology company making insurance digital and more hyper-personalized in markets and as a stepping stone for the Group's entry into the financial technology industry. As all the applicable percentage ratios are lower than 5%, therefore it did not require any disclosure under the GEM Listing Rules. As at the Latest Practicable Date, the changes of the financial performance of the Company's investment in YAS Digital Limited is minimal.

On 20 March 2020, Joy Sunny Investment Limited, a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with two independent third parties (collectively, the “**Vendors**”) regarding the Group's intention to acquire certain amount of shares of YAS Digital Limited owned by the Vendors at a consideration subject to further negotiation by the parties thereto. Details of which are set out in the announcement of the Company dated 20 March 2020 and as at the Latest Practicable Date, the Company is still negotiating with the Vendors in relation to the terms of the potential acquisition. Save for that, as at the Latest Practicable Date, the Company has not identified other investment opportunities.

In complementary to the Group's financial services business, the Group is of the view that given the worldwide awareness of corporate governance, it is anticipated that the demand from Hong Kong listed issuers requesting for professional services in relation to corporate governance matters and compliance with the appropriate local rules governing the listed companies in Hong Kong and other relevant legal and regulatory requirements will persist. Therefore, the Group has acquired Merdeka Professional Services Limited (“**MPSL**”) (formerly known as Veda Corporate Services Limited) and its subsidiaries (together “**MPSL Group**” (formerly known as VCSL Group) on 28 February 2019, and upon the completion of acquisition of MPSL Group, the Group has diversified its business into corporate consulting services including company secretarial services, accounting and financial reporting services and management consulting services. As disclosed in the 2019 Annual Report, the revenue for the year ended 31 December 2019 of the corporate consulting business was approximately HK\$8.91 million and a segment profit of approximately HK\$2.58 million respectively.

Given the well-established financial reputation of Hong Kong and the asset light business nature of the services provision segments, the Board believes that the commencement of provisions of advisory services on corporate finance, investment management and corporate consulting services, which are with greater flexibility and possess high growth potential and are in the interests of the Shareholders and Company as a whole.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2019 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue on the audited consolidated net tangible liabilities of the Group as if the Rights Issue had taken place on 31 December 2019.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group attributable to owners of the Company had the Rights Issue been completed as at 31 December 2019 or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2019, extracted from the published annual report of the Group for the year ended 31 December 2019, with adjustment described below:

Unaudited consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2019 <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2019 <i>HK\$'000</i>	Unaudited consolidated net tangible liabilities attributable to owners of the Company per Share before the completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company per Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on				
1,048,802,876				
Rights Shares				
at subscription				
price of				
HK\$0.110 per				
Rights Share	110,800	(9,484)	(0.46)	(0.01)
<u>(120,284)</u>	<u>110,800</u>	<u>(9,484)</u>	<u>(0.46)</u>	<u>(0.01)</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Notes:

- (1) The audited consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2019 has been extracted from the published annual report of the Company for the year ended 31 December 2019, adjusted by intangible assets and goodwill of approximately HK\$5,450,000 and HK\$5,470,000 respectively.
- (2) The estimated net proceeds from the Rights Issue is approximately HK\$110,800,000 are based on 1,048,802,876 Rights Shares to be issued at the subscription price of HK\$0.110 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$4,568,000.
- (3) The unaudited consolidated net tangible liabilities of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is determined based on the audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2019 of approximately HK\$120,284,000 as disclosed in note 1 above, divided by 262,200,719 Shares of the Company in issue as at 31 December 2019.
- (4) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group after the completion of the Rights Issue per share is determined based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2019 for the Rights Issue of approximately HK\$9,484,000 divided by Shares which comprise 262,200,719 Shares in issue as at 31 December 2019 and 1,048,802,876 Rights Shares to be issued after the completion of the Rights Issue, assuming that no outstanding share options of the Company will be exercised and the convertible bonds will not be converted into ordinary shares.
- (5) Pursuant to Subscription Agreement, Team Sunny has subscribed the convertible bonds issued by the Company with principal amount of HK\$39,805,651. The subscription amount payable by Team Sunny offsetted by the Company's promissory note with principal amount of HK\$8 million held by Mr. Wong, a controlling shareholder of Team Sunny, and all of the outstanding principal amount and part of the accrued interest in an aggregate amount of HK\$31,805,651 payable to Mr. Wong. Accordingly, the arrangement only derecognised the Company's promissory note and amount due to Mr. Wong and recognises convertible bonds with the same principal amount, and did not have a material impact on the Group's overall net liabilities position. Therefore, the unaudited pro forma financial information does not illustrate the effects on the Subscription Agreement. Since the convertible bonds will be matured in 3 years upon issuance, the Company's liquidity will improve as the Company's liability will be relocated from fixed term of repayment to a definite term.
- (6) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2019.

Set out below is the text of a letter received from Elite Partners CPA Limited, the Independent Reporting Accountants to the Board of Directors in respect of the Rights Issue for the purpose of inclusion in this Prospectus.



The Board of Directors
Merdeka Financial Group Limited
Room 1108, 11/F., Wing On Centre,
111 Connaught Road Central,
Central, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Merdeka Financial Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible liabilities as at 31 December 2019, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II of the prospectus issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of this prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed right issue on the basis of four rights share at the subscription price of HK\$0.110 per rights share (the “**Rights Share**”) for every one existing share held on the record date (the “**Rights Issue**”) as if the transaction had taken place as at 31 December 2019. As part of this process, information about the condensed consolidated statement of financial position of the Group as at 31 December 2019, as extracted by the directors of the Company from the Company’s consolidated financial information for the year ended 31 December 2019, on which an audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in this Prospectus is solely to illustrate the impact of the significant transaction on consolidated net tangible liabilities of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Your faithfully,

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 29 May 2020

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital in the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares, Team Sunny Conversion Shares and 2008 Conversion Shares will be as follows:

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

Authorised:	<i>HK\$</i>
<u>20,000,000,000</u> Shares of HK\$0.01 each	<u>200,000,000.00</u>
Issued and paid-up share capital:	
<u>262,200,719</u> Shares of HK\$0.01 each	<u>2,622,007.19</u>

- ii. The following table illustrates the share capital structure of the Company immediately after the completion of the Rights Issue will be as follows:

Authorised:	<i>HK\$</i>
<u>20,000,000,000</u> Shares of HK\$0.01 each	<u>200,000,000.00</u>
Issued and paid-up share capital:	
262,200,719 Shares of HK\$0.01 each	2,622,007.19
1,048,802,876 Rights Shares to be allotted and issued upon completion of the Rights Issue	10,488,028.76
<u>1,311,003,595</u>	<u>13,110,035.95</u>

- iii. The following table illustrates the share capital structure of the Company immediately after the completion of the Rights Issue and the Subscription Agreement (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares from the Latest Practicable Date to completion of the Rights Issue) will be as follows:

Authorised:		<i>HK\$</i>
<u>20,000,000,000</u>	Shares of HK\$0.01 each	<u>200,000,000.00</u>
Issued and paid-up share capital:		
262,200,719	Shares of HK\$0.01 each	2,622,007.19
1,048,802,876	Rights Shares to be allotted and issued upon completion of the Rights Issue	10,488,028.76
361,869,554	Team Sunny Conversion Shares to be allotted and issued upon the exercise of conversion rights attached to the Team Sunny Convertible Bonds	3,618,695.54
<u>1,672,873,149</u>		<u>16,728,731.49</u>

- iv. The following table illustrates the share capital structure of the Company immediately after the completion of the Rights Issue, the Subscription Agreement and the 2008 CB Terms Amendments (assuming no Outstanding Share Options being exercised and no other issue or repurchase of Shares from the Latest Practicable Date to completion of the proposed Rights Issue) will be as follows:

Authorised:		<i>HK\$</i>
<u>20,000,000,000</u>	Shares of HK\$0.01 each	<u>200,000,000.00</u>
Issued and paid-up share capital:		
262,200,719	Shares of HK\$0.01 each	2,622,007.19
1,048,802,876	Rights Shares to be allotted and issued upon completion of the proposed Rights Issue	10,488,028.76
361,869,554	Team Sunny Conversion Shares to be allotted and issued upon the exercise of conversion rights attached to the Team Sunny Convertible Bonds	3,618,695.54
627,890,909	2008 Conversion Shares to be allotted and issued upon the exercise of conversion rights attached to the 2008 Convertible Bonds	6,278,909.09
<u>2,300,764,058</u>		<u>23,007,640.58</u>

All of the Rights Shares, the Team Sunny Conversion Shares and the 2008 Conversion Shares, when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares, the Team Sunny Conversion Shares and the 2008 Conversion Shares.

The Rights Shares, the Team Sunny Conversion Shares and the 2008 Conversion Shares to be issued will be listed on the Stock Exchange. The Company has applied to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and the Stock Exchange has granted the listing approval for the Team Sunny Conversion Shares and the 2008 Conversion Shares. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares, the Team Sunny Conversion Shares and the 2008 Conversion Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Share Option Scheme

As at the Latest Practicable Date, the Company had Outstanding Share Options granted under the Share Option Scheme carrying rights for the Options Holders thereof to subscribe for an aggregate of 33,199 new Shares, details of which are set out below:

Date of grant	Exercise period	Exercise price	Number of underlying Shares
3 May 2012	30 May 2012 to 29 May 2022	HK\$36.00	33,199

Save for the Outstanding Share Options, the 2008 Convertible Bonds and the Team Sunny Convertible Bonds, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

a) Interest of Directors in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO) or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares or underlying Shares held	Approximate percentage of total issued share capital of the Company (Note 2)
Cheung Wai Yin, Wilson (Note 1)	Beneficial owner Founder of a discretionary trust	55,781 1,000,000,000	0.02% 381.39%

Notes:

- Mr. Cheung Wai Yin, Wilson (“**Mr. Cheung**”) is the Chairman, an executive Director and the chief executive officer of the Company. As at the Latest Practicable Date, 1,000,000,000 Shares were owned by Ivana Investment Limited (“**Ivana**”) which may fall to be allotted and issued upon the exercise in full of the conversion rights which attached to the 2008 Convertible Bonds (assuming the 2008 CB Terms Amendment having become effective) owned by Ivana, a company incorporated in the British Virgin Islands and wholly owned by CW Limited (“**CW**”), which in turn is wholly owned by Asiatrust Limited (“**Asiatrust**”), a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares for the purpose of the SFO. Mr. Cheung is also personally interested in 55,781 Shares.

Upon the 2008 CB Transfer Completion, Ivana will either (i) not interested in any 2008 Convertible Bonds if completion of the Rights Issue has taken place; or (ii) interested in a maximum of 500,000,000 2008 Conversion Shares, which will be allotted and issued upon the exercise of the conversion rights attached to the 2008 Convertible Bonds in the principal amount of HK\$55.00 million if the Rights Issue is lapsed (assuming the 2008 CB Terms Amendment having become effective).

2. The percentage of interest is calculated based on 262,200,719 Shares, being the existing total number of issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, the following persons (not being Directors and chief executive of the Company) had an interest or short position in the Shares, underlying shares or debentures of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest (Note 2)
Team Sunny	Beneficial owner	390,730,000 (Note 1)	149.02%
Wong Hin Shek	Interest in a controlled corporation	390,730,000 (Note 1)	149.02%

Notes:

1. Team Sunny is owned as to 100% by Mr. Wong who is deemed to be interested in 390,730,000 Shares pursuant to the Part XV of the SFO.
2. The percentage of interest is calculated based on 262,200,719 Shares, being the existing total number of issued Shares as at the Latest Practicable Date.

Long position in the underlying Shares of the convertible bonds of the Company:

Name	Capacity	Principal amount of the convertible bonds HK\$	Number of the total underlying Shares	Approximate percentage of total issued share capital of the Company (Note)
Team Sunny	Beneficial owner	94,805,651	861,869,554	328.71%
Wong Hin Shek	Interest in a controlled corporation	94,805,651	861,869,554	328.71%
Ivana	Beneficial owner	110,000,000	1,000,000,000	381.39%
CW	Interest in a controlled corporation	110,000,000	1,000,000,000	381.39%
Asiatrust	Trustee	110,000,000	1,000,000,000	381.39%

Note: The percentage of interest is calculated based on 262,200,719 Shares, being the existing total number of issued Shares as at the Latest Practicable Date.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any parties (other than a Director or the chief executive of the Company) in the Shares or underlying Shares, which were required (a) to be disclosed under Divisions 2 and 3 of Part XV of the SFO or (b) to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

Ms. Tsang Kwai Ping (“**Ms. Tsang**”), an executive Director, is a director of a company incorporated in Hong Kong with limited liability which is principally engaged in the provision of company secretarial services for non-listed Hong Kong companies in Hong Kong (“**HK Co Sec Business**”). Ms. Tsang has irrevocably and unconditionally provided the Company an undertaking in accordance with the terms and conditions under outside interests and non-competition undertaking set out in her service agreement (“**Ms. Tsang Undertaking**”).

Pursuant to Ms. Tsang Undertaking, save for the HK Co Sec Business, (i) without the prior written consent of the Board, Ms. Tsang shall not, and shall procure her close associates not to, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (“**Ms. Tsang Restricted Business**”); (ii) if Ms. Tsang and/or any of her close associates is offered or becomes aware of any project or new business opportunity (“**Ms. Tsang New Business Opportunity**”) that relates to the Ms. Tsang Restricted Business, Ms. Tsang shall (a) promptly within ten (10) Business Days notify the Company in writing of such Ms. Tsang New Business Opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such Ms. Tsang New Business Opportunity; and (b) use her best endeavors to procure that such Ms. Tsang New Business Opportunity is offered to the Company on terms no less favorable than the terms on which such Ms. Tsang New Business Opportunity is offered to her and/or her close associates; and (iii) if the Group has not given written notice of its desire to invest in such Ms. Tsang New Business Opportunity or has given written notice denying the Ms. Tsang New Business Opportunity within thirty (30) Business Days of receipt of notice from Ms. Tsang, Ms. Tsang and/or her close associates shall be permitted to invest in or participate in the Ms. Tsang New Business Opportunity on her own record.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the controlling shareholders or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORS’ SERVICE CONTRACTS

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

7. LITIGATION

On 22 January 2015, the Company received a writ of summons (HCA 170 of 2015) issued in the Court of First Instance of the High Court of Hong Kong (the “**High Court**”) by Mr. Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited (“**End User**”), an indirect wholly-owned subsidiary of the Company, as the first defendant; (ii) the Company, as the second defendant; and (iii) Lau Chi Yan Pierre, the then managing Director and executive Director, as the third defendant for, *inter alia*, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); (2) alternatively, the damages in the sum of HK\$8,000,000 in lieu of specific performance; (3) the interest; (4) further and/or other relief; and (5) the costs.

On 29 September 2017, the Company received a judgement dated 28 September 2017 handed down by the High Court (the “**Judgement**”) ordering, among others, that the Company and End User, to pay, jointly and severally, damages to Mr. Au Kai To Karel in the sum of HK\$4.4 million.

As announced by the Company in its announcement on 14 November 2017, the Company has appealed against the Judgment by way of Notice of Appeal filed on 25 October 2017 with the Court of Appeal (the “**Appeal**”) (CACV 237 of 2017) and has taken steps to seek further legal advice on the Judgment, the Appeal, and other appropriate actions to be taken thereon.

On 13 November 2017, the Company received a petition made by Mr. Au Kai To Karel (the “**Petition**”) in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the laws of Hong Kong (the “**CWUMPO**”) from the High Court (HCCW 343 of 2017) that the Company may be wound up by the High Court under the provisions of the CWUMPO on the ground that the Company is deemed to be unable to pay the sum of HK\$4.4 million as stipulated therein the Judgment.

On 7 May 2018, upon the Company having paid into court the judgement sum of HK\$4.4 million pursuant to a court order dated 16 April 2018, the Petition was adjourned until the determination of the Appeal.

On 4 January 2019, the Court of Appeal allowed the Company’s appeal despite dismissing End User’s appeal. Reasons for judgement was handed down on 18 January 2019.

On 20 May 2019, the High Court ordered that the Petition made by Mr. Au Kai To Karel (the “**Petitioner**”) under HCCW 343 of 2017 to wind up the Company be dismissed with costs payable by the Petitioner to the Company. The HK\$4.4 million payment made by the Company on 7 May 2018. Application for the return of HK\$4.4 million together with the interest accrued to the Company has been submitted to the High Court. On the hearing of the High Court on 18 December 2019, the High Court ordered that such application be adjourned sine die and costs be reserved. It was ordered by the High Court that the case be placed before a judge of the Court of Appeal for direction or determination. The case is currently pending the direction or determination of the Court of Appeal.

For details, please refer to the announcements of the Company dated 22 January 2015, 29 September 2017, 14 November 2017, 22 January 2019 and 21 May 2019.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion, letter or advice included in this Prospectus:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with copies of its letter and/or reports and the references to its name included in this Prospectus in the forms and contexts in which they are respectively included. The above expert confirmed that as at the Latest Practicable Date:

- (i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the sale and purchase agreement dated 18 February 2019 entered into between Veda Corporation Limited as vendor and Earning Action Limited, a direct wholly-owned subsidiary of the Company, as purchaser in relation to the sale and purchase of the entire issued share capital in Merdeka Professional Services Limited (previously known as Veda Corporate Services Limited) at an consideration of HK\$8,000,000, which has been settled by the issue of the 2019 PN by the Company, further details of which are set out in the announcements of the Company dated 18 February 2019 and 28 February 2019;
- (ii) the placing agreement dated 12 July 2019 entered into between the Company and Head & Shoulders Securities Limited in relation to the placing of up to 408,000,000 new Shares under general mandate at the price of HK\$0.016 per placing share. Further details of which are set out in the announcements of the Company dated 12 July 2019, 25 July 2019 and 6 August 2019;
- (iii) the Underwriting Agreement (as amended and supplemented by the extension letters dated 31 January 2020, 21 February 2020, 13 March 2020 and 14 April 2020);
- (iv) the Subscription Agreement (as amended and supplemented by a supplemental agreement dated 20 March 2020 and the extension letter dated 14 April 2020);
- (v) the Fourth Supplemental Deed (as amended and restated on 14 April 2020); and
- (vi) the non-legally binding memorandum of understanding dated 20 March 2020 entered into between Joy Sunny Investment Limited, a wholly-owned subsidiary of the Company, as purchaser and two independent third parties as vendors regarding the Group's intention to acquire certain shares of YAS Digital Limited owned by the vendors at a consideration subject to further negotiation by the parties thereto.

10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong
Company secretary	Ms. Hau Hei Man, Sonya
Compliance officer	Mr. Cheung Wai Yin, Wilson
Authorised representatives	Mr. Cheung Wai Yin, Wilson Ms. Hau Hei Man, Sonya
Principal share registrar and transfer office in the Cayman Islands	SMP Partners (Cayman) Limited Royal Bank House 3rd Floor 24 Shedden Road PO Box 1586 Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Shanghai Pudong Development Bank Co., Ltd 24/F. Bank of America Tower 12 Harcourt Road Central Hong Kong

Reporting accountants	Elite Partners CPA Limited 10/F. 8 Observatory Road Tsim Sha Tsui Kowloon Hong Kong
Legal advisers to the Company in relation to the Rights Issue	<i>As to Hong Kong law</i> Michael Li & Co. 19th Floor Prosperity Tower 39 Queen's Road Central Central Hong Kong <i>As to Cayman Islands law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Financial adviser to the Company	Merdeka Corporate Finance Limited Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong
Underwriter	Head & Shoulders Securities Limited Room 2511, 25/F Cosco Tower 183 Queen's Road Central Hong Kong

11. EXPENSES

The expenses in connection with the Rights Issue and the transactions contemplated respectively thereunder, including underwriting commission, financial advisory fees, legal fee, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$4.57 million, which are payable by the Company.

12. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Address
Executive Directors	
Mr. Cheung Wai Yin, Wilson	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong
Ms. Tsang Kwai Ping	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong
Independent non-executive Directors	
Ms. Yeung Mo Sheung, Ann	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong
Ms. Ng Ka Sim, Casina	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong
Mr. Wong Wing Kit	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Central, Hong Kong

Executive Directors

Mr. Cheung Wai Yin, Wilson, aged 48, jointed in 2012, is currently an executive Director, the Chairman, the chief executive officer, the compliance officer, a member of each of the nomination committee and the remuneration committee of the Company, an authorised representative under Rule 5.24 of the GEM Listing Rules and an agent for service of process in Hong Kong of the Company. He is also a director of certain relevant subsidiaries of the Company. He holds a Master of Science Degree in Financial Engineering from City University of Hong Kong and bachelor degrees in Arts and Administrative Studies from York University, Canada. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute. Mr. Cheung has over 20 years of experience in the field of audit, business development, corporate finance and financial management.

Ms. Tsang Kwai Ping, aged 41, joined in April 2019 as an executive Director. Ms. Tsang was an assistant director of Merdeka Professional Services Limited (formerly known as Veda Corporate Services Limited), a subsidiary of the Group from 2012 to 2018. Ms. Tsang holds a Master Degree in Corporate Governance from The Hong Kong Polytechnic University and a Bachelor Degree in Accountancy from City University of Hong Kong. Ms. Tsang is a member of both of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also an associate member of both of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She is the company secretary of DeTai New Energy Group Limited (stock code: 559) (“**DeTai**”), a company listed on the Main Board of the Stock Exchange. She was the chief financial officer of DeTai from 2013 to 2017. Ms. Tsang has extensive experience in accounting, financial management and company secretarial matters.

Independent Non-executive Directors

Ms. Yeung Mo Sheung, Ann, aged 55, joined in 2012 as an independent non-executive Director and is a member of each of the nomination committee, the remuneration committee and the audit committee of the Company. She holds a Bachelor Degree of Retail Marketing with honours in the United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998. She is a solicitor of Messrs. Fung & Fung, Solicitors, a legal firm in Hong Kong. Ms. Yeung is an independent non-executive director of Success Universe Group Limited (stock code: 487), a company listed on the Main Board of the Stock Exchange and E Lighting Group Holdings Limited (stock code: 8222), a company listed on the GEM of the Stock Exchange. Ms. Yeung ceased to act as an independent non-executive director of Trillion Grand Corporate Company Limited (now known as hmvod Limited) (stock code: 8103) in November 2017. Ms. Yeung has over 20 years of experience in legal field.

Ms. Ng Ka Sim, Casina, aged 47, joined in May 2019 as an independent non-executive Director and is a member of each of the nomination committee, the remuneration committee and the audit committee of the Company. She holds a Bachelor of Business (Accountancy) Degree from Royal Melbourne Institute of Technology. Ms. Ng is a member of both the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Ms. Ng was the chief financial officer and the company secretary of GR Properties Limited (stock code: 108), a company listed on the Main Board of the Stock Exchange from August 2019 to November 2019. She was the group financial controller of Luxey International (Holdings) Limited (stock code: 8041), a company listed on the GEM of the Stock Exchange from 2011 to 2018. Ms. Ng has over 20 years of experience in auditing, accounting and financial management.

Mr. Wong Wing Kit, aged 49, joined in October 2019 as an independent non-executive Director and is a member of each of the nomination committee, the remuneration committee and the audit committee of the Company. He holds a Master of Business Administration Degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong held senior positions with various local and international institutions. Mr. Wong has over 27 years of experience in auditing, accounting management, financial reporting and analysis and financial system implementation.

Audit committee

The Company has established the audit committee with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the audit committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company. As at the Latest Practicable Date, the audit committee of the Company comprises of three independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Ms. Ng Ka Sim, Casina and Mr. Wong Wing Kit, with at least one of whom has professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules.

13. GENERAL

- (i) The English text of this Prospectus shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Ms. Hau Hei Man, Sonya, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (iii) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (iv) The principal place of business of the Company in Hong Kong is at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong.
- (v) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vi) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong. Save and except for Renminbi, the Group has no exposure to foreign exchange liabilities.

14. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “8. EXPERT AND CONSENT” in this Appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company’s head office and principal place of business at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong from the date of this Prospectus up to and including 12 June 2020:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 December 2017, 2018 and 2019;
- (iii) the first quarterly report of the Company for the three months ended 31 March 2020;
- (iv) the report from Elite Partners CPA Limited on the unaudited pro forma financial information of the Group upon Completion, the text of which is set out in Appendix II to this Prospectus;
- (v) the written consent referred to in the paragraph headed “8. EXPERT AND CONSENT” in this Appendix;
- (vi) the material contracts referred to in the paragraph headed “9. MATERIAL CONTRACTS” in this Appendix;
- (vii) the Circular; and
- (viii) the Prospectus Documents.