

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

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

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

Persons who come into possession of this announcement 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 announcement is not for release, publication or distribution, directly or indirectly, in or into the United States. This announcement 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, and may not be offered or sold within the United States, 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.



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)

**(1) PROPOSED SHARE CONSOLIDATION;
AND
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5)
RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES
HELD ON THE RECORD DATE**

Financial adviser to the Company



Underwriter to the Rights Issue



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

ALTUS CAPITAL LIMITED

I. PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. Currently, the Shares are traded on the Stock Exchange in the board lot size of 20,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 20,000 Consolidated Shares.

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 20,000,000,000 Existing Shares of HK\$0.01 each, of which 1,375,243,595 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.10 each, of which 137,524,359 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

II. PROPOSED RIGHTS ISSUE

Conditional upon the Share Consolidation being approved by the Shareholders at the EGM and becoming effective, the Company proposes to implement the Rights Issue on the basis of five (5) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.150 per Rights Share, to raise not less than approximately HK\$51.57 million before expenses (assuming no Non-Undertaking Outstanding Share Options being exercised), and not more than approximately HK\$53.26 million before expenses (assuming all Non-Undertaking Outstanding Share Options being exercised) by issuing not less than 343,810,897 Rights Shares and not more than 355,069,860 Rights Shares.

The Company will provisionally allot to the Qualifying Shareholders five (5) Rights Shares in nil-paid form for every two (2) Consolidated Shares in issue and held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

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

The estimated net proceeds from the Rights Issue, after deducting all necessary expenses, will be not less than approximately HK\$49.00 million and not more than approximately HK\$50.66 million, which are intended to be applied in following manners: (i) approximately HK\$28.89 million for repayment of the Promissory Notes; (ii) approximately HK\$7.93 million for repayment of the 2021 June Loan; and (iii) the remaining amount of not less than approximately HK\$12.18 million or not more than approximately HK\$13.84 for general working capital of the Group and facilitate the Group to capture potential business/investment opportunities which may arise in future.

The Rights Issue will be fully underwritten by the Underwriter. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 28 May 2021.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 26 May 2021. The Shares will be dealt with on an ex-rights basis from Thursday, 27 May 2021.

Irrevocable undertakings from Team Sunny, CB Holders and Excluded Options Holders

Team Sunny Irrevocable Undertaking

As at the date of this announcement, Team Sunny (a company which is wholly and ultimately owned by Mr. Wong) is beneficially interested in an aggregate of 390,730,000 Existing Shares (equivalent to 39,073,000 Consolidated Shares after taking into account the effect of the Share Consolidation), representing approximately 28.41% of the issued share capital of the Company, the holder of the 2008 Convertible Bonds in the outstanding principal amount of HK\$55,000,000, which 500,000,000 Existing Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.110 per 2008 Conversion Share and the Team Sunny Convertible Bonds in the outstanding principal amount of HK\$39,805,651, which 361,869,554 Existing 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.

Pursuant to the Team Sunny Irrevocable Undertaking, Team Sunny has given an irrevocable undertaking in favour of the Company and the Underwriter, that (a) it will subscribe, or procure its nominee(s) to subscribe, for 97,682,500 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 390,730,000 Existing Shares or 39,073,000 Consolidated Shares beneficially held by it; (b) it will not dispose of the 390,730,000 Existing Shares or 39,073,000 Consolidated 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; (c) it will lodge its acceptance of the 97,682,500 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; (d) it will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds and the Team Sunny Convertible Bonds held by it up to and including the Record Date; and (e) that the 2008 Convertible Bonds and the Team Sunny Convertible Bonds held by it will remain registered in the name of and beneficially owned by it up to and including the Record Date.

CB Holders' Irrevocable Undertakings

As at the date of this announcement, Mr. Jin and Mr. Shang are the holders of the 2008 Convertible Bonds in the respective principal amount of HK\$7,034,000 and HK\$7,034,000, which 63,945,455 and 63,945,455 Existing Shares respectively will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.110 per 2008 Conversion Share.

Pursuant to the CB Holders' Irrevocable Undertakings, each of Mr. Jin and Mr. Shang has irrevocably undertaken to the Company and the Underwriter, that (i) he will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds held by him up to and including the Record Date; and (ii) that the 2008 Convertible Bonds held by him will remain registered in the name of and beneficially owned by him up to and including the Record Date.

Excluded Options Holders' Irrevocable Undertakings

As at the date of this announcement, there are Outstanding Share Options for subscription of 80,355,854 Existing Shares under the Share Option Schemes.

Pursuant to the Excluded Options Holders' Irrevocable Undertakings, each of the Excluded Options Holders has irrevocably undertaken in favour of the Company and the Underwriter not to exercise any of the Outstanding Share Options granted to him/her up to and including the Record Date, which amounted to an aggregate of 35,320,000 Outstanding Share Options.

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

GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

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

As at the date of this announcement, the Company has no controlling Shareholder as defined under the GEM Listing Rules.

As at the date of this announcement, (i) Team Sunny, a company which is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 390,730,000 Existing Share, representing approximately 28.41% of the issued share capital of the Company; and (ii) Mr. Cheung, an executive Director, is the legal and beneficial owner of 55,781 Existing Shares, representing approximately 0.004% of the issued share capital of the Company. As such, Mr. Wong, Team Sunny, Mr. Cheung and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation and the Rights Issue, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 3 May 2021.

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the proposed Rights Issue and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus (without the PAL(s) and EAF(s)) to the Non-Qualifying Shareholders for their information only.

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

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 announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue 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 Existing Shares, the Consolidated 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).

I. PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- i. the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- ii. the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and
- iii. the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on Wednesday, 26 May 2021, being the second Business Day immediately following the fulfillment of the above conditions.

Listing and dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 20,000,000,000 Existing Shares of HK\$0.01 each, of which 1,375,243,595 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised issued share capital of the Company will become HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.10 each, of which 137,524,359 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Currently, the Shares are traded on the Stock Exchange in the board lot size of 20,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 20,000 Consolidated Shares.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there are Outstanding Convertible Bonds, including (i) the 2008 Convertible Bonds in the principal amount of HK\$69,068,000, which are convertible into 627,890,909 Existing Shares at the conversion price of HK\$0.110 per 2008 Conversion Share; and (ii) the Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651, which are convertible into 361,869,554 Existing Shares at the conversion price of HK\$0.110 per per Team Sunny Conversion Share. The proposed Share Consolidation may lead to adjustment to the conversion price of the Outstanding Convertible Bonds and the number of Consolidated Shares which may fall to be issued upon exercise of the conversion rights attaching to the Outstanding Convertible Bonds, such adjustment to be made in accordance with the terms and conditions of the Outstanding Convertible Bonds.

As at the date of this announcement, there are Outstanding Share Options for subscription of an aggregate amount of 80,355,854 Existing Shares under the Share Option Schemes. Pursuant to the terms of the Share Option Schemes, the Share Consolidation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the Outstanding Share Options.

The Company will make further announcement(s) on such adjustments as and when appropriate.

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

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the Circular to be despatched.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Free Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a transfer fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in purple in order to distinguish them from the existing share certificates in yellow.

Closure of register of members

The register of members of the Company will be closed from Monday, 17 May 2021 to Monday, 24 May 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

REASONS FOR THE SHARE CONSOLIDATION

Under Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), the market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

It is expected that the Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per Consolidated Share. Immediately prior to the date of this announcement, the last trading price of the Company was HK\$0.019, with a board lot size of 20,000 Existing Shares, the existing board lot value was only HK\$380, which was less than HK\$2,000. Upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$0.190, with a board lot size of 20,000 Consolidated Shares, the new board lot value would be HK\$3,800. As such, it would enable the Company to comply with the trading requirements under the GEM Listing Rules.

Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 20,000 Consolidated Shares.

The Board believes the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. In addition, despite the creation of odd lot shares as a result of the Share Consolidation, the Board considers that it would maintain the trading amount for each board lot at a reasonable level which increases the attractiveness in investing the Shares from a broader range of investors, in particular to institutional investors, whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus would help to further broaden the shareholder base of the Company. In view of the above, the Directors are of the view that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue : Five (5) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date

Subscription Price : HK\$0.150 per Rights Share

Number of Shares in issue : 1,375,243,595 Existing Shares
as at the date of this
announcement

Number of Consolidated : 137,524,359 Consolidated Shares
Shares in issue upon the
Share Consolidation
becoming effective

Number of Rights Shares : Not less than 343,810,897 Rights Shares (assuming
to be issued pursuant to : no new Shares having been allotted and issued from
the Rights Issue : the exercise of the Non-Undertaking Outstanding
Share Options on or before the Record Date) and not
more than 355,069,860 Rights Shares (assuming
45,035,854 new Existing Shares or 4,503,585 new
Consolidated Shares having been allotted and issued
upon full exercise of the Non-Undertaking
Outstanding Share Options on or before the Record
Date)

The aggregate nominal value of the Rights Shares will be not less than HK\$34,381,089.7 and not more than HK\$35,506,986

Number of Rights Shares : all the Rights Shares other than those provisionally
underwritten by the : allotted to and undertaken to be subscribed by Team
Underwriter : Sunny pursuant to the Team Sunny Irrevocable
Undertaking, being not less than 246,128,397
Rights Shares and not more than 257,387,360
Rights Shares

Enlarged number of : Not less than 481,335,256 Consolidated Shares and
Shares upon completion : not more than 497,097,804 Consolidated Shares
of the Rights Issue

- Gross proceeds from the Rights Issue : Not less than approximately HK\$51.57 million before expenses and not more than approximately HK\$53.26 million before expenses
- Right of excess applications : Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, there are (i) 2008 Convertible Bonds in the aggregate principal amount of HK\$69,068,000, which 627,890,909 Existing Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.110 per 2008 Conversion Share; (ii) Team Sunny Convertible Bonds in the aggregate principal amount of HK\$39,805,651, which 361,869,554 Existing Shares will be issued upon exercise of the conversion rights under the Team Sunny Convertibles Bonds in full at the conversion price of HK\$0.110 per Team Sunny Conversion Share; and (iii) Outstanding Share Options for subscription of an aggregate amount of 80,355,854 Existing Shares under the Share Option Schemes.

Each of Team Sunny, CB Holders and Excluded Options Holders has provided the Team Sunny Irrevocable Undertaking, the CB Holders' Irrevocable Undertakings and the Excluded Options Holders' Irrevocable Undertakings, respectively.

Save for the aforesaid, the Company does not have any other options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

Assuming no Shares are issued or repurchased on or before the Record Date, 343,810,897 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 250.00% of the total number of the issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 71.43% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming no Shares are issued or repurchased, other than as a result of the issue of new Shares upon exercise of the Non-Undertaking Outstanding Share Options in full by the Options Holders, from the date of this announcement up to and including the Record Date, 355,069,860 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 250.00% of the total number of the issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 71.43% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares and the issue of new Shares upon full exercise of the Non-Undertaking Outstanding Share Options.

The Subscription Price

The Subscription Price of HK\$0.150 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- i. a discount of approximately 21.05% to the theoretical closing price of HK\$0.190 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.019 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- ii. a discount of approximately 22.68% to the theoretical closing price of HK\$0.194 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0194 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- iii. a discount of approximately 27.54% to the average closing price of approximately HK\$0.207 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0207 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- iv. a discount of approximately 6.83% to the theoretical ex-rights price of approximately HK\$0.161 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.019 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- v. a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 8.54%, represented by the theoretical diluted price of approximately HK\$0.164 per Consolidated Share to the benchmarked price of approximately HK\$0.200 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.019 per Existing Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.020 per Existing Share); and
- vi. a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the Rights Issue, 2020 Rights Issue, 2008 Convertible Bonds and Team Sunny Convertible Bonds of approximately 15.10%.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the recent market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial condition of the Company; and (iii) the reasons 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 announcement. The Directors (excluding the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; and (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

The estimated net subscription price per Rights Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) after deducting the related expenses of the proposed Rights Issue will be approximately HK\$0.143.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully

paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 28 May 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Wednesday, 26 May 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Thursday, 27 May 2021.

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

Subject to the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus (without the PAL(s) and the EAF(s)) to the Non-Qualifying Shareholders for their information only.

Closure of register of members for the Rights Issue

The register of members of the Company will be closed from Monday, 17 May 2021 to Monday, 24 May 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 31 May 2021 to Friday, 4 June 2021 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Existing Shares and/or Consolidated Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be five (5) Rights Shares for every two (2) Consolidated Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date, being not less than 343,810,897 Rights Shares and not more than 355,069,860 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.

Rights of Overseas Shareholders

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

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

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

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

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

Application for the excess Rights Shares

Under the proposed Rights Issue, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Non-Qualifying Shareholders; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Tuesday, 22 June 2021.

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 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.

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 Friday, 28 May 2021.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 30 June 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Wednesday, 30 June 2021 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 Wednesday, 30 June 2021, by ordinary post to the applicants, at their own risk, to their registered addresses. Each shareholder will receive one share certificate for all allotted shares.

Fractional entitlement to the Rights Shares

Fractional Rights Shares will not be issued to the Qualifying Shareholders. Any fractional entitlements of the Rights Shares will be aggregated and sold in the market for the benefits of the Company and any unsold aggregated fractional entitlements will be made available for excess application by the Qualifying Shareholders under the EAFs. Fractional Rights Shares will only arise in respect of the entire shareholding of a Shareholder regardless of the number of share certificates held by such Shareholder.

Odd lots matching services

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

Taxation

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

Application for listing of the Rights Shares

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. The nil-paid Rights Shares shall have the same board lot size as the Consolidated Shares, i.e. 20,000 Consolidated Shares in one board lot.

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

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

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

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

Conditions of the Rights Issue

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

THE UNDERWRITING ARRANGEMENT

The Underwriting Agreement

On 12 April 2021 (after trading hours of the Stock Exchange), 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 Rights Issue Irrevocable Undertaking. The principal terms of the Underwriting Agreement as described below:

Date	:	12 April 2021 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Underwriter	:	Head & Shoulders Securities Limited, a licensed corporation authorised 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 date of this announcement, the Underwriter and its ultimate beneficial owners are independent third parties and not connected with the Company and its connected persons as defined under the GEM Listing Rules

Number of Rights Shares : Not less than 246,128,397 Rights Shares (assuming no underwritten by the Underwriter Non-Undertaking Outstanding Share Options being exercised) and not more than 257,387,360 Rights Shares (assuming all Non-Undertaking Outstanding Share Options being exercised)

Accordingly, taking into account the Team Sunny Irrevocable Undertaking, the CB Holders' Irrevocable Undertakings and the Excluded Options 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 Underwritten Shares

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

Conditions of the Rights Issue

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

- a. the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of relevant resolution(s) to approve the Share Consolidation, the Rights Issue, the Underwriting Agreement and the transactions contemplated under the Underwriting Agreement;
- b. the Share Consolidation having become effective;
- c. 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;

- d. the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- e. 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;
- f. the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- g. the compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- h. 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;
- i. the compliance with and performance of all the undertakings and obligations of each of Mr. Jin and Mr. Shang under the CB Holders' Irrevocable Undertakings;
- j. the compliance with and performance of all the undertakings and obligations of all the Excluded Options Holders under the Excluded Options Holders' Irrevocable Undertakings;
- k. 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;
- l. 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 period of more than ten (10) consecutive trading days at any time prior to the Latest Time for Acceptance, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; and
- m. compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

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

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a). in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - i. 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
 - ii. 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
- (b). 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
- (c). 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
- (d). any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

- (e). 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
- (f). the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial 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 this 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
- (g). any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (h). any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive trading days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (i). any moratorium, suspension or material restriction on trading of the shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

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

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

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

Irrevocable undertakings from Team Sunny, CB Holders and Excluded Options Holders

Team Sunny Irrevocable Undertaking

As at the date of this announcement, Team Sunny (a company which is wholly and ultimately owned by Mr. Wong) is beneficially interested in an aggregate of 390,730,000 Existing Shares (equivalent to 39,073,000 Consolidated Shares after taking into account the effect of the Share Consolidation), representing approximately 28.41% of the issued share capital of the Company, the holder of the 2008 Convertible Bonds in the outstanding principal amount of HK\$55,000,000, which 500,000,000 Existing Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.110 per 2008 Conversion Share and the Team Sunny Convertible Bonds in the outstanding principal amount of HK\$39,805,651, which 361,869,554 Existing 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.

Pursuant to the Team Sunny Irrevocable Undertaking, Team Sunny has given an irrevocable undertaking in favour of the Company and the Underwriter, that (a) it will subscribe, or procure its nominee(s) to subscribe, for 97,682,500 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 390,730,000 Existing Shares or 39,073,000 Consolidated Shares beneficially held by it; (b) it will not dispose of the 390,730,000 Existing Shares or 39,073,000 Consolidated 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; (c) it will lodge its acceptance of the 97,682,500 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; (d) it will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds and the Team Sunny Convertible Bonds held by it up to and including the Record Date; and (e) that the 2008 Convertible Bonds and the Team Sunny Convertible Bonds held by it will remain registered in the name of and beneficially owned by it up to and including the Record Date.

CB Holders' Irrevocable Undertakings

As at the date of this announcement, Mr. Jin and Mr. Shang are the holders of the 2008 Convertible Bonds in the respective principal amount of HK\$7,034,000 and HK\$7,034,000, which 63,945,455 and 63,945,455 Existing Shares respectively will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$0.110 per 2008 Conversion Share.

Pursuant to the CB Holders' Irrevocable Undertakings, each of Mr. Jin and Mr. Shang has irrevocably undertaken to the Company and the Underwriter, that (i) he will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds held by him up to and including the Record Date; and (ii) that the 2008 Convertible Bonds held by him will remain registered in the name of and beneficially owned by him up to and including the Record Date.

Excluded Options Holders' Irrevocable Undertakings

As at the date of this announcement, there are Outstanding Share Options for subscription of 80,355,854 Existing Shares under the Share Option Schemes.

Pursuant to the Excluded Options Holders' Irrevocable Undertakings, each of the Excluded Options Holders has irrevocably undertaken in favour of the Company and the Underwriter not to exercise any of the Outstanding Share Options granted to him/her up to and including the Record Date, which amounted to an aggregate of 35,320,000 Outstanding Share Options.

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

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.

The estimated net proceeds from the Rights Issue, after deducting all necessary expenses, will be not less than approximately HK\$49.00 million and not more than approximately HK\$50.66 million, which are intended to be applied in following manners: (i) approximately HK\$28.89 million for repayment of the Promissory Notes; (ii) approximately HK\$7.93 million for repayment of the 2021 June Loan; and (iii) the remaining amount of not less than approximately HK\$12.18 million or not more than approximately HK\$13.84 for general working capital of the Group and facilitate the Group to capture potential business/investment opportunities which may arise in future.

The Promissory Notes was issued by the Company in 2015 with a principal amount of HK\$32 million for the settlement of partial consideration for the acquisition of the Blossom Height Ventures Limited (for more details please refer to the circular of the Company dated 17 March 2015) and on 31 December 2019, the holder of the Promissory Notes and the Company entered into an extension letter to extend the maturity date of the Promissory Notes to 30 June 2021. As at the date of this announcement, the outstanding amount of the Promissory Notes (including the accrued interests) is approximately HK\$28.89 million.

In addition, the Company is indebted to an independent third party of approximately HK\$7.93 million as at the date of this announcement, which is due on 20 June 2021.

Given that (i) the repayment date of the Promissory Notes has already been extended for another 18 months to 30 June 2021 (as mentioned in the announcement of the Company dated 2 January 2020); (ii) the Company's obligation to settle the Promissory Notes by the repayment date; and (iii) the 2021 June Loan is due on 20 June 2021, the Company has been seeking alternative financings for settling the abovementioned debts.

However, the Group has been loss making for the recent financial years and as noted from the annual report of the Company for the financial year ended 31 December 2020, the Group recorded a loss for the financial year ended 31 December 2020 and a net liabilities position as at 31 December 2020. Given the Group's financial position, the Company was unable to obtain any debt financing at terms acceptable to the Company.

As of 28 February 2021, the Group has a cash level of approximately HK\$28 million and approximately HK\$10 million amongst it has to be reserved to meet the Securities and Futures (Financial Resources) Rules (FRR) as the Group is engaged in regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) as defined under the SFO. Hence, the cash available to the Group for its daily operations is only approximately HK\$18 million as at 28 February 2021.

The estimated general working capital for the Group's business operations is approximately HK\$2.5 million per month and as such, the existing cash available to the Group will not be sufficient to cover the Group's upcoming 12 months expenditure requirement. The Board is of the view that upon the repayment of the Promissory Notes and the 2021 June Loan, the major liabilities indebted by the Company are the 2008 Convertible Bonds and the Team Sunny Convertible Bonds, which shall be matured by 2023 and there is no early redemption mechanism by the relevant holders.

Therefore, under the circumstance that the Company does not identify any business/investment opportunity which is in line with its investment strategy in the next 12 months, the Company shall have sufficient capital to meet its upcoming 12 months expenditure requirement upon the completion of the Rights Issue.

The Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer. Prior to considering of the Rights Issue, the Company has approached 2 commercial banks to explore the possibility to grant certain loans to the Company for the repayment of the Promissory Notes and the 2021 June Loan, as well as obtaining additional working capital for the Group's operation. However, both commercial banks did not respond to the Company's enquiry on the bank loans. The Board is of the view that, even if any of the commercial institutions willing to grant loans to the Company, the underlying interest could be unfavorable given the latest financial performance of the Group which would increase the finance costs to the Company and exert additional pressure to the operations of the Group.

At the same time, the Board did not conduct placing of new Shares under general mandate given the small market size of the Company while the fund raised through placing would not be sufficient to meet the repayment obligation of the Company in June 2021 and most importantly, placing of new Shares does not allow the Shareholders to maintain their respective shareholding in the Company as it will not offer an opportunity to the Shareholders to participate. Hence, 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. In addition, the Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability) or through excess application; or (b) as compared to an open offer, reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand).

In addition, the development of the COVID-19 pandemic remains uncertain despite vaccination programme commenced amongst various countries. The Board is of the view that given the business segment of the Group (i.e. provision of the financial services) highly relies on the recovery of the global economy, it is essential for the Group to reserve sufficient available cash to combat the ongoing economy uncertainty, while the remaining net proceeds of not less than approximately HK\$12.18 million or not more than approximately HK\$13.84 million would allow the Company to satisfy such needs and to meet the short-term potential challenges posed by the COVID-19 threat and the recovery uncertainty of the economic environment in Hong Kong.

According to the announcement published by the Company on 10 January 2020, the Board resolved to (i) conduct a rights issue on the basis of four (4) rights shares for every one (1) existing Share held on record date; (ii) enter into a subscription agreement with Team Sunny International Holdings Limited (“**TS Subscription Agreement**”); and (iii) amend the terms of the 2008 Convertible Bonds (“**2008 CB Terms Amendments**”).

As disclosed in the circular of the Company dated 27 March 2020 (the “**2020 RI Circular**”) and the prospectus of the Company dated 29 May 2020 (the “**2020 RI Prospectus**”) in respect to, amongst others, the 2020 Rights Issue, it was disclosed that the Group has sufficient working capital for its business for at least the next 12 months from the date of the 2020 RI Circular and 2020 RI Prospectus after due and careful enquiry and taking into account the then present internal financial resources available to the Group and taking into account the completion of the 2020 Rights Issue, the TS Subscription Agreement and the 2008 CB Terms Amendments.

Given that the maturity dates of the Promissory Notes and the 2021 June Loan are outside 12 months from the dates of the 2020 RI Circular and 2020 RI Prospectus, the abovementioned sufficient working capital statement did not take into consideration of the repayment of the Promissory Notes and the 2021 June Loan.

It is emphasized that the Board has always been evaluating the Company’s financial position and it was one of the intentions of the Board to settle the Promissory Notes and the 2021 June Loan by the cash inflow generated from the business operation of the Group. However, given the wide-spread of the COVID-19 worldwide, the business performance of the Group was affected that the cash inflow is comparatively slower than expected. The actual use of proceeds of the 2020 Rights Issue is set out in the below section “**EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS**”.

Given the abovementioned factors, including but not limited to, nil responses from the commercial banks, small market size and adverse financial performance of the Company, the Board decided to conduct the Rights Issue in order to fulfil its repayment obligations by June 2021 despite the completion of the 2020 Rights Issue.

Taking into account (i) the Promissory Notes and the 2021 June Loan are due shortly; (ii) the proposed Rights Issue as a continuous effort of the Board to improve the financial position of the Company and would minimize the future finance costs of the Company as compared to debt financing; (iii) the Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro-rata provisional entitlement of the Rights Shares and hence avoids dilution in their shareholdings in the Company and participate in the enlargement of the capital base of the Company, while continue to participate in the possible future development of the Group should they wish to do so; and (iv) the Rights Issue as an important and viable financing alternative for the Company to cater for immediate funding needs while allowing the Company to preserve the existing resources of the Group for business operations of the existing businesses of the Group and capturing any potential investment opportunities thereby enhancing the overall value of the Shares, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Share Consolidation and Rights Issue which are for illustrative purpose only.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; (iii) immediately after completion of the Rights Issue, assuming full acceptance by all Qualifying Shareholders; and (iv) immediately after completion of the Rights Issue, assuming nil acceptance by the Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking):

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

	(i) As at the date of this announcement		Immediately after completion of the Rights Issue (assuming no Non-Undertaking Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date)					
			(ii) Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue (assuming no Non-Undertaking Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date)		(iii) Assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full		(iv) Assuming that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares;	
	<i>No. of Existing Shares</i>	<i>Approx.% (Note 3)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 3)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 3)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 3)</i>
Team Sunny <i>(Note 1)</i>	390,730,000	28.41	39,073,000	28.41	136,755,500	28.41	136,755,500	28.41
Mr. Cheung <i>(Note 2)</i>	55,781	0.01	5,578	0.01	19,523	0.01	5,578	0.01
Options Holders	—	—	—	—	—	—	—	—
Underwriter <i>(Note 3)</i>	—	—	—	—	—	—	246,128,397	51.13
Other public Shareholders	984,457,814	71.58	98,445,781	71.58	344,560,233	71.58	98,445,781	20.45
Total	1,375,243,595	100.00	137,524,359	100.00	481,335,256	100.00	481,335,256	100.0

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

	Immediately after completion of the Rights Issue (assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date)							
	(i) As at the date of this announcement		(ii) Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue (assuming all Outstanding Share Options being exercised and no other issue or repurchase of Shares on or before the Record Date)		(iii) Assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full		(iv) Assuming that no Qualifying Shareholders (except the Underwriter and its associate and Team Sunny pursuant to the Team Sunny Irrevocable Undertaking) have taken up any entitlements of the Rights Shares;	
	No. of Existing Shares	Approx.% (Note 3)	No. of Consolidated Shares	Approx.% (Note 3)	No. of Consolidated Shares	Approx.% (Note 3)	No. of Consolidated Shares	Approx.% (Note 3)
Team Sunny ^(Note 1)	390,730,000	28.41	39,073,000	27.51	136,755,500	27.51	136,755,500	27.51
Mr. Cheung ^(Note 2)	55,781	0.01	5,578	0.01	19,523	0.01	5,578	0.01
Options Holders	—	—	4,503,585	3.17	15,762,548	3.17	4,503,585	0.91
Underwriter ^(Note 3)	—	—	—	—	—	—	257,387,360	51.77
Other public Shareholders	984,457,814	71.58	98,445,781	69.31	344,560,233	69.31	98,445,781	19.80
Total	<u>1,375,243,595</u>	<u>100.00</u>	<u>142,027,944</u>	<u>100.00</u>	<u>497,097,804</u>	<u>100.00</u>	<u>497,097,804</u>	<u>100.0</u>

Notes:

1. Team Sunny is owned as to 100% by Mr. Wong, whose is deemed to be interested in 390,730,000 Existing Shares pursuant to the Part XV of the SFO.
2. Mr. Cheung is an executive Director of the Company and personally interested in 55,781 Existing Shares.
3. These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) each of the subscribers or purchasers of the Untaken Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates; (ii) the public float requirements under the GEM Listing Rules shall be fulfilled by the Company upon completion of the Rights Issue; and (iii) any subscription or purchase of the Untaken Shares by the Underwriter and each of the subscribers or purchasers procured by the Underwriter shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter and the subscribers or purchasers procured by the Underwriter upon completion of the Rights Issue.
4. The shareholding structure is prepared for illustrative purpose only. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

Apart from the equity fund raising activities set out below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement/ circular/prospectus	Event	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
10 January 2020, 27 March 2020 and 29 May 2020	Rights issue	HK\$110.80 million	<p>(i) approximately HK\$55.00 million for a partial repayment of the 2008 Convertible Bonds to Mr. Cheung;</p> <p>(ii) approximately HK\$12.64 million for repayment of an advance from Mr. Cheung;</p> <p>(iii) approximately HK\$14.86 million for repayment of a promissory note which was due on 4 April 2017; and</p> <p>(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.</p>	<p>(i) approximately HK\$55.00 million has been repaid to Mr. Cheung in respect of the 2008 Convertible Bonds;</p> <p>(ii) approximately HK\$12.64 million has been repaid to Mr. Cheung in respect of the advance;</p> <p>(iii) approximately HK\$14.86 million has been repaid of the promissory note which was due on 4 April 2017; and</p> <p>(iv) approximately HK\$22.70 million has been applied to the general working capital of the Group.</p>

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE

The expected timetable for the Share Consolidation and the Rights Issue is set out below:

Event	Date (Hong Kong time)
Publication of this announcement.	Monday, 12 April 2021
Expected despatch date of the Circular, proxy form and notice of the EGM.	Monday, 3 May 2021
Latest time for lodging transfers of Existing Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Friday, 14 May 2021
Closure of the register of members (both dates inclusive)	From Monday, 17 May 2021 to Monday, 24 May 2021
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Saturday, 22 May 2021
Record date for determining attendance and voting at the EGM	Monday, 24 May 2021
Expected date and time of the EGM.	11:00 a.m. on Monday, 24 May 2021
Announcement of the poll result of the EGM	Monday, 24 May 2021
Register of members re-open	Tuesday, 25 May 2021
Effective date of the Share Consolidation	Wednesday, 26 May 2021
Commencement of dealings in the Consolidated Shares.	9:00 a.m. Wednesday, 26 May 2021
Original counter for trading in Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 26 May 2021

Temporary counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 26 May 2021
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Wednesday, 26 May 2021
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue.	Wednesday, 26 May 2021
First day of dealings in the Consolidated Shares on an ex-rights basis relating to the Rights Issue	Thursday, 27 May 2021
Latest time for the Shareholders to lodge transfer documents of the Consolidated Shares in order to be qualified for the Rights Issue	4:30 p.m. on Friday, 28 May 2021
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive). . . .	From Monday, 31 May 2021 to Friday, 4 June 2021
Record date for the Rights Issue	Friday, 4 June 2021
Register of members of the Company re-opens	Monday, 7 June 2021
Despatch of the Prospectus Documents (including the PAL, EAF and Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only).	Monday, 7 June 2021
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Wednesday, 9 June 2021
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates in board lots of) commences.	9:00 a.m. on Wednesday, 9 June 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares and fully-paid Rights Shares.	Wednesday, 9 June 2021
First day of dealings in nil-paid Rights Share	Wednesday, 9 June 2021

Latest time for splitting the PAL	4:30 p.m. on Friday, 11 June 2021
Last day and time of dealings in nil-paid Rights Shares	4:00 p.m. on Thursday, 17 June 2021
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Tuesday, 22 June 2021
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 23 June 2021
Announcement of allotment results of the Rights Issue.	Tuesday, 29 June 2021
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any) for wholly and partially unsuccessful excess applications to be posted. . . .	Wednesday, 30 June 2021
Temporary counter for trading in board lots of 2,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 30 June 2021
Parallel trading in the Consolidated Shares (in the form of new and existing share certificates) ends.	4:10 p.m. on Wednesday, 30 June 2021
Commencement of dealings in fully-paid Rights Shares.	9:00 a.m. on Friday, 2 July 2021
Latest time for free exchange of existing share certificates for new share certificates	Monday, 5 July 2021
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Share and fully-paid Rights Shares	4:10 p.m. on Thursday, 22 July 2021

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Share Consolidation and the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - i. is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - ii. is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE” above may be affected. Announcement will be made by the Company in such event.

POSSIBLE ADJUSTMENTS RELATING TO THE OUTSTANDING CONVERTIBLE BONDS AND THE OUTSTANDING SHARE OPTIONS

As at the date of this announcement, there are (i) Outstanding Convertible Bonds which are applicable for convertible into a total of 989,760,463 Shares, including the 2008 Convertible Bonds and the Team Sunny Convertible Bonds; and (ii) 80,355,854 Outstanding Share Options, including (a) 35,854 Outstanding Share Options are exercisable from 30 May 2012 to 29 May 2022; (b) 35,320,000 Outstanding Share Options are exercisable from 20 January 2021 to 19 January 2024; and (c) 45,000,000 Outstanding Share Options are exercisable from 20 January 2021 to 19 January 2026.

Pursuant to the terms and conditions of the Outstanding Convertible Bonds and the terms of the Share Option Schemes, (i) the conversion prices and/or number of new Shares to be issued upon exercise of the conversion rights under the Outstanding Convertible Bonds and/or (ii) the exercise prices and/or number of new Shares to be issued upon exercise of the Outstanding Share Options may be adjusted in accordance with the terms and conditions of the Outstanding Convertible Bonds and the Share Option Schemes, if any, upon the Share Consolidation being effective and the Rights Issue becoming unconditional.

Save for the 2008 Convertible Bonds, the Team Sunny Convertible Bonds and the Outstanding Share Options, there are no other outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares as at the date of this announcement.

GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

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

As at the date of this announcement, the Company has no controlling Shareholder as defined under the GEM Listing Rules.

As at the date of this announcement, (i) Team Sunny, a company which is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 390,730,000 Existing Share, representing approximately 28.41% of the issued share capital of the Company; and (ii) Mr. Cheung, an executive Director, is the legal and beneficial owner of 55,781 Existing Shares representing approximately 0.004% of the issued share capital of the Company. As such, Mr. Wong, Team Sunny, Mr. Cheung and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Share Consolidation and the Rights Issue, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Monday, 3 May 2021.

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the proposed Rights Issue and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus (without the PAL(s) and EAF(s)) to the Non-Qualifying Shareholders for their information only.

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

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 announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue 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 Existing Shares, the Consolidated 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).

DEFINITIONS

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

“2008 Conversion Price”	HK\$0.110 per 2008 Conversion Share with effect from 13 August 2020 to the maturity date of the 2008 Convertible Bonds, subject to adjustment under the terms and conditions of the 2008 Convertible Bonds
“2008 Conversion Share(s)”	new Shares to be issued by the Company upon the exercise of the conversion rights attached to the 2008 Convertible Bonds by the CB Holders thereof
“2008 Convertible Bonds”	the zero coupon convertible bonds due 2023 issued by the Company on 12 August 2008
“2012 Share Option Scheme”	the share option scheme adopted by the Company on 3 May 2012
“2020 Rights Issue”	the rights issue of the Company completed on 19 June 2020
“2021 June Loan”	a loan indebted to an independent third party by the Company amounted to approximately HK\$7.93 million as at the date of this announcement, which is due on 20 June 2021
“2020 Share Option Scheme”	the share option scheme adopted by the Company on 30 December 2020
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which “extreme conditions” announced by the Government of Hong Kong or a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CB Holder(s)”	holder(s) of the 2008 Convertible Bonds (as the case may be)

“CB Holders’ Irrevocable Undertakings”	the irrevocable and unconditional undertakings given by Mr. Jin and Mr. Shang in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “Irrevocable undertakings from Team Sunny, CB Holders and Excluded Options Holders” under the section headed “PROPOSED RIGHTS ISSUE” in this announcement
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to the Shareholders containing, among other things, further information of the proposed Share Consolidation and the proposed Rights Issue and the transactions contemplated, and proposed to be despatched to the Shareholders on or before Monday, 3 May 2021
“Company”	Merdeka Financial Group Limited 領智金融集團有限公司, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.100 each in the issued and unissued share capital of the Company immediately after the Share Consolidation becoming effective
“COVID-19”	the coronavirus disease occurred since January 2020 which is an infectious disease caused by severe acute respiratory syndrome coronavirus
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue and the transactions contemplated thereunder
“Excluded Options Holders”	the Options Holders who in aggregate hold 35,320,000 Outstanding Shares Options and have provided the Excluded Options Holders’ Irrevocable Undertakings

Excluded Options Holders' Irrevocable Undertakings	the irrevocable and unconditional undertaking given by Excluded Options Holders in favour of the Company and the Underwriter, details of which is set out in the paragraph headed "Irrevocable undertakings from Team Sunny, CB Holders and Excluded Options Holders" under the section headed "PROPOSED RIGHTS ISSUE" in this announcement
"Existing Share(s)"	existing ordinary share(s) of HK\$0.010 each in the Share capital of the Company prior to the Share Consolidation becomes effective
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Committee"	has the meaning ascribed thereto under the GEM Listing Rules
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Share Consolidation and the proposed Rights Issue and the transactions contemplated thereunder
"Independent Financial Adviser"	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue and the transactions contemplated thereunder
"Independent Shareholder(s)"	any Shareholder(s) not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the proposed Share Consolidation and the proposed Rights Issue and the transactions contemplated thereunder at the EGM

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Last Trading Day”	Monday, 12 April 2021, being the last trading day of the Existing Shares on the Stock Exchange before the release of this announcement
“Latest Lodging Time”	4:30 p.m. on Friday, 28 May 2021 or such other time and/or date as may be agreed between the Underwriter and the Company as the latest time for lodging transfer of the Consolidated Shares in order to qualify for the Rights Issue
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 22 June 2021 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 23 June 2021 or such other time or date as the Underwriter may agree in writing with the Company
“Mr. Cheung”	Mr. Cheung Wai Yin, Wilson, an executive Director of the Company, who is interested in 55,781 Existing Shares as at the date of this announcement
“Mr. Jin”	Jin Xiaobin, being a CB Holder and an independent third party
“Mr. Shang”	Shang Xiaodong, being a CB Holder and an independent third party
“Mr. Wong”	Mr. Wong Hin Shek, the Chairman, an executive Director and the chief executive officer of the Company
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) 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
“Non-Undertaking Outstanding Share Options”	45,035,854 Outstanding Share Options hold by the Options Holders which is not subject to the Excluded Options Holders’ Irrevocable Undertakings
“Options Holder(s)”	holders of the Outstanding Share Options

“Outstanding Convertible Bonds”	the 2008 Convertible Bonds and the Team Sunny Convertible Bonds
“Outstanding Share Options”	as at the date of this announcement, there are 80,355,854 outstanding share options granted under the 2012 Share Option Scheme and 2020 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 registered address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“Promissory Notes”	the promissory notes issued by the Company on 21 April 2015 for the settlement of partial consideration for the acquisition of the Blossom Height Ventures Limited, amounted to approximately HK\$28.89 million (including the accrued interests) as at the date of this announcement, which is due on 30 June 2021
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the proposed Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	Monday, 7 June 2021 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Friday, 4 June 2021 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong,

“Rights Issue”	the proposed issue of the Rights Shares on the basis of five (5) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	the new Consolidated Share(s) to be allotted and issued under the proposed Rights Issue, being 343,810,897 Shares based on the Company’s issued share capital as at the date of this announcement (assuming no new Shares having been allotted and issued from the exercise of the Non-Undertaking Outstanding Share Options on or before the Record Date), or if the maximum number of the Non-Undertaking Outstanding Share Options are exercised in full on or before the Record Date, an aggregate of 355,069,860 Shares
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Shareholder(s)”	holder(s) of issued Share(s) and/or Consolidated Shares
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.10 each
“Share Option Schemes”	2012 Share Option Scheme and 2020 Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.150 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Team Sunny”	Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 390,730,000 Existing Shares up to and including the Latest Lodging Time, is wholly-owned by Mr. Wong

“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, CB Holders and Excluded Options Holders” under the section headed “PROPOSED RIGHTS ISSUE” in this announcement
“Team Sunny Conversion Price”	HK\$0.110 per Team Sunny Conversion Shares, subject to adjustments and the terms and conditions of the Team Sunny Convertible Bonds
“Team Sunny Conversion Share(s)”	new Share(s) 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, which is held by Team Sunny
“Underwriter”	Head & Shoulders Securities Limited, a licensed corporation authorised 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
“Underwriting Agreement”	the underwriting agreement dated 12 April 2021 entered into between the Company and the Underwriter in respect of the proposed Rights Issue
“Underwritten Shares”	not less than 246,128,397 Rights Shares and not more than 257,387,360 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“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
“%”	per cent.

By order of the Board
MERDEKA FINANCIAL GROUP LIMITED
Wong Hin Shek
Chairman and Chief Executive Officer

Hong Kong, 12 April 2021

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

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

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