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

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

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MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

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

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

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

A letter from the Board is set out on pages 11 to 46 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-19 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 18 June 2021. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 2 July 2021 to Friday, 9 July 2021 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 2 July 2021 to Friday, 9 July 2021 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong on Tuesday, 15 June 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 11:00 a.m. on Sunday, 13 June 2021 (Hong Kong time)) before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following precautionary measures at the EGM, including:

- (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.3 degree Celsius will not be permitted access to the EGM venue);
- (b) request of wearing of surgical face masks throughout the EGM and not wearing surgical face masks will not be permitted access to the EGM venue;
- (c) hand sanitizer will be provided;
- (d) no refreshments will be served and there will be no corporate gifts; and
- (e) other safety measures as appropriate.

25 May 2021

CHARACTERISTICS OF GEM

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

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

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EXPECTED TIMETABLE

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

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

Event	Date (Hong Kong time)
Despatch of this circular	Tuesday, 25 May 2021
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 7 June 2021
Closure of the register of members (both dates inclusive)	From Tuesday, 8 June 2021 to Tuesday, 15 June 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 Sunday, 13 June 2021
Record date for determining attendance and voting at the EGM	Tuesday, 15 June 2021
Expected date and time of the EGM	11:00 a.m. on Tuesday, 15 June 2021
Announcement of the poll results of the EGM	Tuesday, 15 June 2021
Register of members re-open	Wednesday, 16 June 2021
Effective date of the Share Consolidation	Thursday, 17 June 2021
Commencement of dealings in the Consolidated Shares.	9:00 a.m. Thursday, 17 June 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. Thursday, 17 June 2021

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
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 Thursday, 17 June 2021
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Thursday, 17 June 2021
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue.	Thursday, 17 June 2021
First day of dealings in the Consolidated Shares on an ex-rights basis relating to the Rights Issue	Friday, 18 June 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 Monday, 21 June 2021
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive).	From Tuesday, 22 June 2021 to Monday, 28 June 2021
Record date for the Rights Issue	Monday, 28 June 2021
Register of members of the Company re-opens	Tuesday, 29 June 2021
Despatch of the Prospectus Documents (including the PAL, EAF and Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only).	Tuesday, 29 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 Friday, 2 July 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 Friday, 2 July 2021

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares and fully-paid Rights Shares.	Friday, 2 July 2021
First day of dealings in nil-paid Rights Share	Friday, 2 July 2021
Latest time for splitting of the PAL	4:30 p.m. on Tuesday, 6 July 2021
Last day and time of dealings in nil-paid Rights Shares	4:00 p.m. on Friday, 9 July 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 Wednesday, 14 July 2021
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 15 July 2021
Announcement of allotment results of the Rights Issue.	Wednesday, 21 July 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	Thursday, 22 July 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 Thursday, 22 July 2021
Parallel trading in the Consolidated Shares (in the form of new and existing share certificates) ends	4:10 p.m. on Thursday, 22 July 2021
Commencement of dealings in fully-paid Rights Shares.	9:00 a.m. on Friday, 23 July 2021
Latest time for free exchange of existing share certificates for new share certificates	Monday, 26 July 2021

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
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Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Share and fully-paid Rights Shares	4:00 p.m. on Thursday, 12 August 2021
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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 circular 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.

According to the abovementioned expected timetable, the acceptance period for the Rights Issue will commence from Tuesday, 29 June 2021 to 4:00 p.m. on Wednesday 14 July 2021. Given that the Company's blackout period for the interim results for the six months ended 30 June 2021 is expected to commence on 14 July 2021, the Directors are only allowed to apply for the excess Rights Shares on or before 13 July 2021 according to GEM Listing Rules 5.52(4)(a). As at the Latest Practicable Date, none of the Directors have expressed any intention to apply for excess Rights Shares.

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" above may be affected. Announcement will be made by the Company in such event.

DEFINITIONS

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

“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 Share Option Scheme”	the share option scheme adopted by the Company on 30 December 2020
“2021 June Loan”	a loan indebted to Mr. Lau by the Company amounted to approximately HK\$7.93 million as at the Latest Practicable Date, which is due on 20 June 2021
“Announcement”	the announcement of the Company dated 12 April 2021 in relation to, among other things, the Share Consolidation and the Rights Issue
“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)

DEFINITIONS

“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 circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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\$0.10 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 from time to time
“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 circular

DEFINITIONS

“Existing Share(s)”	existing ordinary share(s) of HK\$0.01 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee comprising Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann, being all 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” or “Altus Capital”	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 the Announcement

DEFINITIONS

“Latest Lodging Time”	4:30 p.m. on Monday, 21 June 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 Practicable Date”	Thursday, 20 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 14 July 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 Thursday, 15 July 2021 or such other time or date as the Underwriter may agree in writing with the Company
“Mr. Cheng”	Mr. Cheng Jun, the then holder of the 2021 June Loan, being an Independent Third Party as at the Latest Practicable Date
“Mr. Cheung”	Mr. Cheung Wai Yin, Wilson, an executive Director of the Company, who is interested in 55,781 Existing Shares as at the Latest Practicable Date
“Mr. Gao”	Mr. Gao Yun Feng, the then holder of the 2021 June Loan, being an Independent Third Party as at the Latest Practicable Date
“Mr. Jin”	Mr. Jin Xiaobin, being a CB Holder and an Independent Third Party
“Mr. Lau”	Mr. Lau Chung Yan, the holder of the 2021 June Loan as at the Latest Practicable Date
“Mr. Shang”	Mr. 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
“Mr. Yang”	Mr. Yang Biao, the ultimate beneficial owner of Yihua Enterprises Limited, being the holder of the Promissory Notes
“Ms. Tsang”	Ms. Tsang Kwai Ping, an executive Director of the Company, who is interested in 9,000,000 Existing Shares as at the Latest Practicable Date

DEFINITIONS

“Non-Qualifying Shareholders”	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”	35,035,854 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 Option(s)”	as at the Latest Practicable Date, there are 70,355,854 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
“PRC”	People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“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 Latest Practicable Date, 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

DEFINITIONS

“Prospectus Posting Date”	Tuesday, 29 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”	Monday, 28 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 346,310,897 Shares based on the Company’s issued share capital as at the Latest Practicable Date (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 (Chapter 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

DEFINITIONS

“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 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
“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 circular
“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 (as amended and supplemented by the extension letter dated 3 May 2021) entered into between the Company and the Underwriter in respect of the proposed Rights Issue

DEFINITIONS

- “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
- “%” or “per cent.” percentage or per centum

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

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^(Note), 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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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 the 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,

Note: Epidemic includes the outbreak of novel coronavirus.

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.

As at the Latest Practicable Date, the Board has not received any notice from the Underwriter of its intention to terminate the Underwriting Agreement due to the recent outbreak of novel coronavirus or any others reasons.

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.



MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

Executive Directors:

Mr. Wong Hin Shek

(Chairman and Chief Executive Officer)

Mr. Cheung Wai Yin, Wilson

Ms. Tsang Kwai Ping

Independent non-executive Directors:

Ms. Ng Ka Sim, Casina

Mr. Wong Wing Kit

Ms. Yeung Mo Sheung, Ann

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Room 1108, 11/F,

Wing On Centre

111 Connaught Road Central

Central, Hong Kong

25 May 2021

To the Shareholders

Dear Sir or Madam,

**(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**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 April 2021 in relation to, among other things, (i) the proposed Share Consolidation; and (ii) the proposed Rights Issue.

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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, 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 to be convened for the purpose of considering and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue and the transactions contemplated thereunder.

(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 Thursday, 17 June 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.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC,

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the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

Effects of the Share Consolidation

As at the Latest Practicable Date, 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 1,385,243,595 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 Latest Practicable Date 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 138,524,359 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 Latest Practicable Date, 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

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Existing Shares at the conversion price of HK\$0.110 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 Latest Practicable Date, there are Outstanding Share Options for subscription of an aggregate amount of 70,355,854 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 Latest Practicable Date, 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 Rights Shares arising from the proposed Share Consolidation, Merdeka Securities Limited has been appointed to provide matching service for odd lots of the Share Consolidation arising from the Rights Issue at the relevant market price per Share for the period from Friday, 2 July 2021 to Thursday, 12 August 2021 (both dates inclusive). Shareholders of odd lots of the Consolidated Shares who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Consolidated Shares should contact Mr. Chow Man Ho of Merdeka Securities Limited at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Central, Hong Kong (telephone number (852) 2868 1063) during this period.

Holders of odd lots of the 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

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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 Tuesday, 8 June 2021 to Tuesday, 15 June 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 Latest Practicable Date, the last trading price of the Company was HK\$0.018, with a board lot size of 20,000 Existing Shares, the existing board lot value was only HK\$360, which was less than HK\$2,000. Upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$0.180, with a board lot size of 20,000 Consolidated Shares, the new board lot value would be HK\$3,600. 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

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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 as at the Latest Practicable Date	:	1,385,243,595 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	138,524,359 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Not less than 346,310,897 Rights Shares (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) and not more than 355,069,860 Rights Shares (assuming 35,035,854 new Existing Shares or 3,503,585 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\$34,631,089.7 and not more than HK\$35,506,986

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Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares other than those provisionally allotted to and undertaken to be subscribed by Team Sunny pursuant to the Team Sunny Irrevocable Undertaking, being not less than 246,128,397 Rights Shares ^(Note) and not more than 257,387,360 Rights Shares
Enlarged number of Shares upon completion of the Rights Issue	:	Not less than 484,835,256 Consolidated Shares and not more than 497,097,804 Consolidated Shares
Gross proceeds from the Rights Issue	:	Not less than approximately HK\$51.95 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

Note: Pursuant to the exercise of 10,000,000 Non-Undertaking Outstanding Share Options by the Option Holders, 4,000,000 Existing Shares, 1,000,000 Existing Shares and 5,000,000 Existing Shares were issued on 23 April 2021, 27 April 2021 and 7 May 2021 respectively. The Company's issued share capital is 1,385,243,595 Existing Share as at the Latest Practicable Date, thus, the number of Rights Shares underwritten by the Underwriter is not less than 248,628,397 Right Shares and not more than 257,387,360 Rights Issue as at the Latest Practicable Date.

As at the Latest Practicable Date, 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 70,355,854 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 Latest Practicable Date.

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Assuming no Shares are issued or repurchased on or before the Record Date, 346,310,897 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 Latest Practicable Date 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 16.67% to the theoretical closing price of HK\$0.180 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.018 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- ii. 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;
- iii. 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;
- iv. 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

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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;

- v. 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;
- vi. a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 18.00%, 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 the Announcement of approximately HK\$0.020 per Existing Share); and
- vii. 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 circular. The Directors (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee contained in this circular) 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.

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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\$0.144.

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 Monday, 21 June 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Thursday, 17 June 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Friday, 18 June 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 Tuesday, 8 June 2021 to Tuesday, 15 June 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 Tuesday, 22 June 2021 to Monday, 28 June 2021 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue.

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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 346,310,897 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.

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

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

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

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

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unlawful or impracticable and the cost to be incurred and time required for complying with the registration requirements would outweigh the possible benefits to the Company and the Non-Qualifying Shareholder.

The 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 Wednesday, 14 July 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;

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- 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 Monday, 21 June 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 Thursday, 22 July 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 Thursday, 22 July

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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 Thursday, 22 July 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 arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots (if any) of the Rights Shares arising from the proposed Rights Issue, Merdeka Securities Limited has been appointed to provide matching service for odd lots of the Rights Shares arising from the Rights Issue at the relevant market price per Share for the period from Friday, 2 July 2021 to Thursday, 12 August 2021 (both dates inclusive). Shareholders of odd lots of the Rights Shares who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Rights Shares should contact Mr. Chow Man Ho of Merdeka Securities Limited at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Central, Hong Kong (telephone number (852) 2868 1063) during this period.

Holders of odd lots of the Rights Shares should note that successful matching of the sale and purchase of odd lots of the Rights 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.

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

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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.

In addition, according to Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders at the EGM by passing the necessary resolution(s).

THE UNDERWRITING AGREEMENT

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. On 3 May 2021, the Company and the Underwriter entered into an extension letter and the parties thereto mutually agreed to

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revise the timetable of the proposed Rights Issue and except for the extension of the timetable, all other terms of the Underwriting Agreement remain the same and in full force and effect. The principal terms of the Underwriting Agreement as described below:

- Date : 12 April 2021 (after trading hours of the Stock Exchange)
(as amended and supplemented by the extension letter dated 3 May 2021)
- 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. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its 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 underwritten by the Underwriter : Not less than 246,128,397 Rights Shares^(Note) (assuming no 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

Note: Pursuant to the exercise of 10,000,000 Non-Undertaking Outstanding Share Options by the Option Holders, 4,000,000 Existing Shares, 1,000,000 Existing Shares and 5,000,000 Existing Shares were issued on 23 April 2021, 27 April 2021 and 7 May 2021 respectively. The Company's issued share capital is 1,385,243,595 Existing Share as at the Latest Practicable Date, thus, the number of Rights Shares underwritten by the Underwriter is not less than 248,628,397 Right Shares and not more than 257,387,360 Rights Shares as at the Latest Practicable Date.

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On 3 May 2021, the Company and the Underwriter entered into an extension letter and the parties thereto mutually agreed to revise the timetable of the proposed Rights Issue and except for the extension of the timetable, all other terms of the underwriting Agreement remain the same and in full force and effect.

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

Save for (i) the Underwriting Agreement, the provision of company secretarial services to 2 private companies which are owned as to 50% each by Dr. Choi and Ms. Cheung Fung Kuen Maggie by the Group, the provision of company secretarial and financial advisory services to International Entertainment Corporation (stock code: 1009) (a company listed on the Stock Exchange which is owned as to approximately 36.83% by Dr. Choi) (“**IEC**”) by the Group; and (ii) certain amount of share options of IEC was granted to Mr. Wong’s wholly-owned private company on 9 July 2018, the Company and its connected persons have no other relationship (i.e. business or otherwise) with the Underwriter and its ultimate beneficial owners as at the Latest Practicable Date.

In addition, the Underwriter acted as an underwriter to the 2020 Rights Issue and a placing agent to the Company in July 2019.

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 (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee contained in this circular) 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.

The Company has approached three financial institutions, including the Underwriter, concerning the Rights Issue based on the current proposed structure and in order to obtain the best terms for the benefit of the Rights Issue. Out of the three financial institutions that the Company has approached, the Underwriter quoted a lower underwriting commission rate whilst one of the financial institutions did not express its interest for such role. Having considered (i) the underwriting commission offered by the Underwriter is comparable to that offered by other financial institutions in the market; and (ii) the experience and financial resources of the Underwriter for underwriting such securities, the Directors (including the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee contained in this circular) consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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Conditions of the Underwriting Agreement

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;

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- 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 the 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.

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

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

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- (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^(Note), 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 the 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,

Note: Epidemic includes the outbreak of novel coronavirus.

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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.

As at the Latest Practicable Date, the Board has not received any notice from the Underwriter of its intention to terminate the Underwriting Agreement due to the recent outbreak of novel coronavirus or any others reasons.

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 Latest Practicable Date, 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 28.21% 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

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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 Latest Practicable Date, 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 63,945,454 and 63,945,454 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 Latest Practicable Date, there are Outstanding Share Options for subscription of 70,355,854 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 Latest Practicable Date, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

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

The Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

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The estimated net proceeds from the Rights Issue, after deducting all necessary expenses, will be not less than approximately HK\$49.79 million and not more than approximately HK\$51.08 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\$12.97 million or not more than approximately HK\$14.26 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 Latest Practicable Date, the outstanding amount of the Promissory Notes (including the accrued interests) is approximately HK\$28.89 million. As at the Latest Practicable Date, the holder of the Promissory Notes is Yihua Enterprises Limited, with its ultimate beneficial owner being Mr. Yang. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for being a director of a subsidiary of the Company since May 2020, and an authorized representative of a subsidiary of the Company, Mr. Yang does not have any past or present relationship with the Company or its connected persons, and have any past or present arrangements, written or otherwise, expressed or implied with the Company's connected persons.

In addition, the Company is indebted to Mr. Lau, a director of a subsidiary of the Company which is undergoing deregistration, with a principal amount of approximately HK\$7.93 million as at the Latest Practicable Date. To the best of the Directors' knowledge, save for the abovementioned, Mr. Lau does not have any past or present relationship with the Company or its connected persons, and have any past or present arrangements, written or otherwise, expressed or implied with the Company's connected persons. Mr. Cheng and Mr. Gao provided the 2021 June Loan with principal amount of RMB3.5 million each to the Company in July 2016 for a term of one year with no interest rate to support the Company and for the general working of the Group, which has been fully utilized for the purpose intended, and the 2021 June Loan was then transferred to Mr. Lau in November 2019. Mr. Lau and the Company subsequently entered into an extension letter to extend the maturity date of the 2021 June Loan to 20 June 2021. Given that by the time the Company was in need of working capital, Mr. Cheng and Mr. Gao were also the holders of convertible bonds issued by the Company, hence each of them was willing to grant the 2021 June Loan to the Company which was not interest bearing.

Given that the transfer of the 2021 June Loan between Mr. Cheng and Mr. Gao and Mr. Lau was a private transaction in November 2019, the Company did not have further information in relation to the transfer.

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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.

The holder of the Promissory Notes and Mr. Lau has expressed that, in the event the Rights Issue cannot be completed by June 2021, each of them is willing to extend the repayment date until the Rights Issue is completed (which is expected to be by July 2021).

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.

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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\$12.97 million or not more than approximately HK\$14.26 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 (“**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.

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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.

RISK FACTORS

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

Business risk relating to the Group

As at the Latest Practicable Date, the Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

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(i) Financial services business

The Group's financial services business in relation to securities brokerage services, provision of corporate finance advisory services and asset management business are highly dependent on the activeness of the financial market in Hong Kong. Any sudden downturn in the global economic and sudden change in political environment, which are beyond the control of the Group, may adversely affect the financial market sentiment. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn incur adverse impact on the business and operating performance of the Group. As such, the revenue and profitability of the Group may fluctuate and there is no assurance that the Group will be able to maintain our historical financial results under difficult or unstable economic conditions.

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

LETTER FROM THE BOARD

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

(ii) Corporate consulting business

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

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

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

LETTER FROM THE BOARD

(iii) Trading business

The Group's trading outlet is located in Sheung Shui, where is nearer to its customers visiting Hong Kong from the PRC. The overall sales decline from February 2020 onwards due to the COVID-19 as the individual visit scheme for mainland Chinese visitors to Hong Kong was suspended to impede the outbreak, significantly impacting tourist arrivals while local consumption plummeted. A substantial fall in Mainland tourist arrivals of around 99% was recorded in February and March due to very strict border controls to control the outbreak. Due to the outbreak of COVID-19 over the world, Hong Kong's Department of Health has introduced the compulsory quarantine arrangement to persons arriving at Hong Kong from foreign places on 19 March 2020, and noticed the public should go out less and reduce social activities, and maintain appropriate social distance with other people as far as possible. All these additional virus-control policies will hit the Hong Kong tourism industry hard.

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

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

EFFECTS ON 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 Latest Practicable Date; (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

LETTER FROM THE BOARD

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 Latest Practicable Date up to the Record Date.

	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)							
	(i) As at the Latest Practicable 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 5)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 5)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 5)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 5)</i>
Team Sunny ^(Note 1)	390,730,000	28.21%	39,073,000	28.21%	136,755,500	28.21%	136,755,500	28.21%
Mr. Cheung ^(Note 2)	55,781	0.01%	5,578	0.01%	19,523	0.01%	5,578	0.01%
Ms. Tsang ^(Note 3)	9,000,000	0.65%	900,000	0.65%	3,150,000	0.65%	900,000	0.18%
Option Holders	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Underwriter ^(Note 4)	—	0.00%	—	0.00%	—	0.00%	248,628,397	51.28%
Other public Shareholders	<u>985,457,814</u>	<u>71.13%</u>	<u>98,545,781</u>	<u>71.13%</u>	<u>344,910,233</u>	<u>71.13%</u>	<u>98,545,781</u>	<u>20.32%</u>
Total	<u><u>1,385,243,595</u></u>	<u><u>100.00%</u></u>	<u><u>138,524,359</u></u>	<u><u>100.00%</u></u>	<u><u>484,835,256</u></u>	<u><u>100.00%</u></u>	<u><u>484,835,256</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

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 Latest Practicable Date		(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;	
	<i>No. of Existing Shares</i>	<i>Approx.% (Note 5)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 5)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 5)</i>	<i>No. of Consolidated Shares</i>	<i>Approx.% (Note 5)</i>
Team Sunny ^(Note 1)	390,730,000	28.21%	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%
Ms. Tsang ^(Note 3)	9,000,000	0.65%	900,000	0.63%	3,150,000	0.63%	900,000	0.18%
Option Holders	—	0.00%	3,503,585	2.47%	12,262,547	2.47%	3,503,585	0.70%
Underwriter ^(Note 4)	—	0.00%	—	0.00%	—	0.00%	257,387,360	51.78%
Other public Shareholders	985,457,814	71.13%	98,545,781	69.38%	344,910,234	69.38%	98,545,781	19.82%
Total	1,385,243,595	100.00%	142,027,944	100.00%	497,097,804	100.00%	497,097,804	100.00%

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. Ms. Tsang is an executive Director of the Company and personally interested in 9,000,000 Existing Shares. On 23 April 2021 and 7 May 2021, Ms. Tsang was allotted with the 4,000,000 Existing Shares and 5,000,000 Existing Shares upon the exercise of 9,000,000 share options granted under the 2020 Share Option Scheme respectively, at the exercise price of HK\$0.015 per Existing Share.
4. 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.

LETTER FROM THE BOARD

To ensure the compliance of the public float requirements under the GEM Listing Rules can be fulfilled by the Company, the Underwriter intend to enter into sub-underwriting agreements with at least two sub-underwriters. The Underwriter advised that, as at the Latest Practicable Date, they have approached two sub-underwriters and is negotiating on the underlying commercial terms and expect that the sub-underwriting agreement will be entered on or before the publication of the prospectus of the proposed Rights Issue.

5. 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 Latest Practicable Date:

Date of announcement/ circular/prospectus	Event	Net proceeds raised	Intended use of proceeds as announced	Actual use of proceeds
10 January 2020, 27 March 2020 and 29 May 2020	Rights issue	approximately HK\$110.80 million	(i) approximately HK\$55.00 million for a partial repayment of the 2008 Convertible Bonds to Mr. Cheung;	(i) approximately HK\$55.00 million has been repaid to Mr. Cheung in respect of the 2008 Convertible Bonds;
			(ii) approximately HK\$12.64 million for repayment of an advance from Mr. Cheung;	(ii) approximately HK\$12.64 million has been repaid to Mr. Cheung in respect of the advance;
			(iii) approximately HK\$14.86 million for repayment of a promissory note which was due on 4 April 2017; and	(iii) approximately HK\$14.86 million has been repaid of the promissory note which was due on 4 April 2017; and
			(iv) the remaining amount of approximately HK\$28.30 million of the net proceeds for general working capital of the Group and facilitate the Group to capture potential investment opportunities which may arise in future.	(iv) approximately HK\$26.0 million has been applied to the general working capital of the Group.
10 January 2020 and 27 March 2020	Subscription of convertible bonds	approximately HK\$39.81 million	(i) approximately HK\$8.00 million to offset the principal amount of the promissory notes issued by the Company on 28 February 2019 to Mr. Wong (“2019 PN”); and	(i) approximately HK\$8.00 million has been settled with Mr. Wong in respect of the 2019 PN; and

LETTER FROM THE BOARD

Date of announcement/ circular/prospectus	Event	Net proceeds raised	Intended use of proceeds as announced	Actual use of proceeds
			(ii) approximately HK\$31.81 million to offset the outstanding principal amount and part of the accrued interest under the shareholder's loan facilities granted by Mr. Wong to the Company on (i) 28 September 2018 in an aggregate principal amount of HK\$25.00 million at an interest rate of 5.125% per annum; and (ii) 30 October 2019 in an aggregate principal amount of HK\$10.00 million at an interest rate of 5.0% per annum ("Mr. Wong Facilities").	(ii) approximately HK\$31.81 million has been settled with Mr. Wong in respect of the Mr. Wong Facilities.

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

As at the Latest Practicable Date, 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) 70,355,854 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) 35,000,000 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. An independent financial adviser of the Company has been appointed to certify the necessary adjustments to (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; (ii) the exercise prices and numbers of the Outstanding Share Options. Further announcement relating to such adjustments will be made by the Company in this regard as and when appropriate.

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 Latest Practicable Date.

LETTER FROM THE BOARD

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 Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules.

As at the Latest Practicable Date, (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 28.21% of the issued share capital of the Company; (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; and (iii) Ms. Tsang, an executive Director, is beneficially interested in 9,000,000 Existing Shares, representing approximately 0.65% of the issued share capital of the Company. As such, Mr. Wong, Team Sunny, Mr. Cheung, Ms. Tsang 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

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.

Subject to the approval of the proposed Rights Issue by the Independent Shareholders at the EGM, 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.

LETTER FROM THE BOARD

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 circular). 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).

EGM

The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. The EGM will be convened on Tuesday, 15 June 2021 at 11:00 a.m. at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong for the purpose of, considering and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from the Independent Financial Adviser set out on pages IBC-1 to IBC-2 and pages IFA-1 to IFA-19 respectively of this circular.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann, having taken into account the advice of the Independent Financial Adviser, considers that (i) the terms of the Rights Issue are fair and reasonable; (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the proposed Rights Issue and the transactions contemplated thereunder at the EGM.

Accordingly, the Directors believe that the Share Consolidation and the terms of the proposed Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolutions approving the Share Consolidation and the proposed Rights Issue and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



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)

25 May 2021

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated Tuesday, 25 May 2021 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and how to vote at the EGM. Altus Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages IFA-1 to IFA-19 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by, and the advice of Altus Capital, we considered that (i) the terms of the Rights Issue are fair and reasonable; (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the proposed Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Ms. Ng Ka Sim, Casina

Mr. Wong Wing Kit

Ms. Yeung Mo Sheung, Ann

Independent Non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital, the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

25 May 2021

To the Independent Board Committee and the Independent Shareholders

Merdeka Financial Group Limited
Room 1108, 11/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sir/Madam,

**(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**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 25 May 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 12 April 2021, the Company announced that, 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 Share for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.150 per Rights Share. According to the “Letter from the Board” contained in the Circular, the gross proceeds from the Rights Issue will be less than approximately HK\$51.95 million before expenses (assuming no Non-Undertaking Outstanding Share Options being exercised), and not more than approximately HK\$53.26 million before

LETTER FROM INDEPENDENT FINANCIAL ADVISER

expenses (assuming all Non-Undertaking Outstanding Share Options being exercised) by issuing not less than 346,310,897 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 Right Issue will not be available to the Non-Qualifying Shareholders.

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

LISTING RULES IMPLICATIONS

In accordance with Rule 10.29(1) of the GEM Listing Rules, since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50%, 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 the Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules.

As at the Latest Practicable Date, (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 28.21% of the issued share capital of the Company; (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; and (iii) Ms. Tsang, an executive Director, is beneficially interested in 9,000,000 Existing Shares, representing approximately 0.65% of the issued share capital of the Company. As such, Mr. Wong, Team Sunny, Mr. Cheung, Ms. Tsang and their respective associates shall abstain from voting in favour of the proposed resolutions approving the Rights Issue and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann, has been established to advise the Shareholders on (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolutions at the EGM in relation to the Rights Issue and the transactions contemplated thereunder, after taking into account the recommendation of the Independent Financial Adviser.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders on (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders; and (iii) how to vote on the resolutions at the EGM in relation to the Rights Issue and the transactions contemplated thereunder.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (ii) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); (iii) the Announcement; and (iv) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

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.

1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the 2020 Annual Report and 2019 Annual Report.

	For the year ended 31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	39,861	482,705	559,785
— Financial services business	21,782	11,817	73,812
— Corporate consulting business	7,748	8,912	—
— Trading business	10,331	461,976	485,469
— Information technology business	—	—	504
Loss for the year	(97,782)	(113,421)	(119,704)

	For the year ended 31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Current assets	90,999	173,028	683,368
Non-current assets	17,199	24,059	14,180
Current (liabilities)	(88,429)	(301,481)	(580,197)
Non-current (liabilities)	(74,470)	(4,970)	(106,592)
Net (liabilities)/assets	(54,701)	(109,364)	10,759
Bank balances and cash — general accounts	27,610	15,454	12,255
Convertible bonds	73,872	116,344	105,651

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Year ended 31 December 2020 compared with year ended 31 December 2019

For the year ended 31 December 2020, the Group's revenue decreased by approximately 91.7% as compared with the year ended 31 December 2019. The decrease in revenue was mainly due to the significant decrease in revenue from trading business, which is engaged in the trading of goods, components and accessories. The weak performance of trading business was brought by the demonstrations and social unrest in Hong Kong occurred since the second half of 2019, leading to a significant drop in the number of PRC tourists visiting Hong Kong. The trading business was further impacted by the combination of regulatory restrictions against social gatherings, poor market conditions and weak consumer sentiment due to the outbreak of COVID-19.

The Group recorded net loss for both years ended 31 December 2019 and 2020, which was mainly attributable from the impairment loss on finance lease receivables. If the impairment loss of finance lease receivables is excluded, the Group would have recorded an adjusted net loss of approximately HK\$36.0 million and HK\$19.7 million for the years ended 31 December 2019 and 2020 respectively. The decrease in adjusted net loss of approximately 45.3% for the year ended 31 December 2020 was mainly due to the increase in revenue from corporate financial advisory services since the Group commenced such business in late 2019.

The Group had net liabilities for both years ended 31 December 2019 and 2020. The net liabilities of the Group decreased by approximately 50.0% from 31 December 2019 to 31 December 2020. The decrease was mainly due to the net proceeds of approximately HK\$110.8 million raised by way of rights issue during the year ended 31 December 2020, which have mostly been deployed in repayment of debts.

Year ended 31 December 2019 compared with year ended 31 December 2018

For the year ended 31 December 2019, the Group's revenue decreased by approximately 13.8% as compared with the year ended 31 December 2018 due mainly to the decrease in revenue from financial leasing services business in the PRC which had faced various competitions from other financial leasing companies of different sizes. During the year, only a few new financial leasing contracts with narrow interest margins were concluded, and together with certain material financial leasing contracts having matured, this led to lesser interest income being recognised.

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The Group recorded net loss for both years ended 31 December 2018 and 2019 due mainly to the impairment losses on finance lease receivables or other receivables related to the financial services business. The decrease of net losses of approximately 5.2% from 2018 to 2019 was mainly due to revenue contribution from corporate consulting services which the Group had diversified into in 2019. These continued losses resulted in the Group's net assets position of approximately HK\$10.8 million as at 31 December 2018 to deteriorate to net liabilities position of approximately HK\$109.4 million as at 31 December 2019.

1.2 Outlook of the Group

The Group has been recording net losses in the past three financial years, which was primarily attributable to poor performance of financial leasing services business. Nevertheless, the amount of net loss has been decreasing, demonstrating the positive impact from the Group's expansion into new businesses in 2019, including corporate consulting services, and corporate finance advisory services and asset management business, which has continued to bring in revenue to the Group. Meanwhile, according to the Management, the financial leasing business has continued to be stagnant where no new contract was concluded in 2020 and the first quarter of 2021 due to keen competition in the industry, and the business environment for retail trading is expected to be more difficult and challenging in the near term.

According to the 2020 Annual Report, for financial services business, the Group will continue to put more effort in the development of corporate financial advisory services, asset management and money lending businesses and at the same time explore more related business opportunities. In particular, the Board is confident with the prospects and potential growth of the financial technology industry and believes that the underlying technology and innovative ideas can be complementary to the Group's existing financial businesses.

For corporate consulting business, given the worldwide awareness of corporate governance, the Group anticipates demand from Hong Kong listed issuers requesting for professional services in relation to corporate governance matters and compliance with appropriate local rules governing the listed companies in Hong Kong and other relevant legal and regulatory requirements will persist.

All in all, the Management remains optimistic on the prospect of Group's business, in particular, the newly commenced business segments, which have been making positive impact to the Group's financial results. To enable the newly commenced businesses to ramp up, we believe it is important and reasonable that the Company strengthens its capital base and maintains sufficient working capital, especially under the current uncertain economic environment.

2. Proposed use of proceeds

The estimated net proceeds from the Rights Issue, after deducting all necessary expenses, will be not less than approximately HK\$49.79 million and not more than approximately HK\$51.08 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\$12.97 million or not more than approximately HK\$14.26 for general working capital of the Group and to facilitate the Group's plan to capture potential business/investment opportunities which may arise in future.

3. Reasons for the Rights Issue

3.1 Imminent funding needs

According to the "Letter from the Board" contained in the Circular, as at 28 February 2021, the Group had a cash level of approximately HK\$28.0 million. 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, approximately HK\$10.0 million of the Group's cash level has to be reserved to meet the Securities and Futures (Financial Resources) Rules (FRR). Hence, the cash and cash equivalents available to the Group for its daily operations was only approximately HK\$18.0 million as at 28 February 2021.

As at the Latest Practicable Date, the outstanding amount of the Promissory Notes, which was issued by the Company in 2015 for the acquisition of Blossom Height Ventures Limited, was approximately HK\$28.89 million (including the accrued interests). 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 for another 18 months to 30 June 2021. In addition, the Company is indebted to an Independent Third Party with a principal amount of approximately HK\$7.93 million as at the Latest Practicable Date, which is due on 20 June 2021 (the "**2021 June Loan**"). Therefore, the Group's cash level available to the Group for daily operations of approximately HK\$18.0 million as at 28 February 2021 is insufficient for the repayment of the Promissory Notes and the 2021 June Loan, amounting to approximately HK\$36.82 million in total.

Moreover, according to the "Letter from the Board" contained in the Circular, 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 can only sustain the Group's operations for less than a year, and this is before taking into account the need to repay the Promissory Notes and the 2021 June Loan.

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We note that the Group had completed a rights issue in the past 12 months immediately preceding the Latest Practicable Date which have raised approximately HK\$110.8 million net proceeds. As at the Latest Practicable Date, approximately 97.92% of the net proceeds raised have been utilised as intended and we understand from the Management that the remaining amount is expected to be used as intended as general working capital and future investment in the near future.

Based on the above, the Management is of the view, and we concur, that the Group has immediate need to raise funds.

3.2 Suitable fund-raising method

In order to alleviate its liquidity pressure, we understand that the Management has considered various fund-raising methods, including (i) debt financing; and (ii) other equity fund-raising methods such as placing of new Shares and open offer.

In respect of debt financing, considering (i) the Group has been loss-making for the recent financial years and recorded net liabilities as at the latest financial year end; (ii) the Group does not own any real properties which can be mortgaged, we are of the view that it will be difficult for the Group to obtain further debt financing with interest rate favourable to the Group, especially under the current sluggish economic environment brought about by the COVID-19 pandemic. The increase in finance costs to the Company will exert additional pressure to the operations of the Group. We understand from the Management that the Company has approached two commercial banks to explore the possibility to grant certain loans to the Company for the repayment of the Promissory Notes and 2021 June Loan but did not receive any response from them.

For placing of new Shares under general mandate, based on the maximum number of Shares that could be issued under existing general mandate of 262,200,719 Shares and the closing Share price of HK\$0.018 as at the Latest Practicable Date, it is expected that no more than HK\$5.0 million could be raised by placing, and therefore, we are of the view that the fund raised through the placing would not be sufficient to meet the repayment obligation of the Company in June 2021. Moreover, 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.

Besides allowing existing Shareholders the opportunity to maintain their shareholding in the Company, the Rights Issue has the mechanism which allows existing Shareholders to (i) increase their respective shareholding in the Company by acquiring additional rights entitlement in the open market (subject to availability) or through excess application; and (ii) recoup the value of their rights entitlements if they do not wish to participate in the Rights Issue by disposing their rights entitlements in the open market (subject to market demand). Open offer does not allow trading of rights entitlements, and hence Shareholders who do not wish to take up their entitlements will not have the opportunity to sell their entitled nil-paid rights shares in the market.

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Having considered (i) the feasibility of the various fund-raising methods; (ii) the target amount of funds to be raised; and (iii) the opportunity for the existing Shareholders to maintain shareholding in the Company and additional flexibility afforded by the Rights Issue to the existing Shareholders, the Management is of the view, and we concur, that the Rights Issue is the most suitable fund-raising method to the Group under the current circumstances.

4. Principal terms of the Rights Issue

As disclosed in the “Letter from the Board” contained in the Circular, details of the Rights Issue are set out below:

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 (equivalent to HK\$0.015 per Right Share prior to the Share Consolidation)
Number of Existing Shares in issue as at the date of the Announcement	:	1,385,243,595 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	138,524,359 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Not less than 346,310,897 Rights Shares (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) and not more than 355,069,860 Rights Shares (assuming 35,035,854 new Existing Shares or 3,503.85 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\$34,631,089.7 and not more than HK\$35,506,986

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Number of Rights Shares underwritten by the Underwriter	:	all the Rights Shares other than those provisionally allotted to and undertaken to be subscribed by Team Sunny pursuant to the Team Sunny Irrevocable Undertaking, being not less than 246,128,397 (<i>Note</i>) Rights Shares and not more than 257,387,360 Rights Shares
Enlarged number of Shares upon completion of the Rights Issue	:	Not less than 484,835,256 Consolidated Shares and not more than 497,097,804 Consolidated Shares
Gross proceeds from the Rights Issue	:	Not less than approximately HK\$51.95 million before expenses and not more than approximately HK\$53.26 million before expenses
Right of excess application	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

Note: Pursuant to the exercise of 10,000,000 Non-Undertaking Outstanding Share Options by the Option Holders, 4,000,000, 1,000,000 and 5,000,000 Existing Shares were issued on 23 April 2021, 27 April 2021 and 7 May 2021 respectively. The Company's issued share capital was 1,385,243,595 Existing Shares as at the Latest Practicable Date, thus, the number of Rights Shares underwritten by the Underwriter is not less than 248,628,397 Rights Shares and not more than 257,387,360 Right Shares as at the Latest Practicable Date.

For further information of the Rights Issue, please refer to the paragraph headed "(II) Proposed Rights Issue" under the section headed "Letter from the Board" contained in the Circular.

4.1 The Subscription Price

As stated in the "Letter from the Board" contained in the Circular, the Subscription Price was arrived at 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 the Circular.

The Subscription Price of HK\$0.150 per Rights Share represents:

- (i) a discount of approximately 16.67% to the theoretical closing price of HK\$0.180 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.018 per Existing Shares as quoted on the Stock Exchange on the Latest Practicable Date;

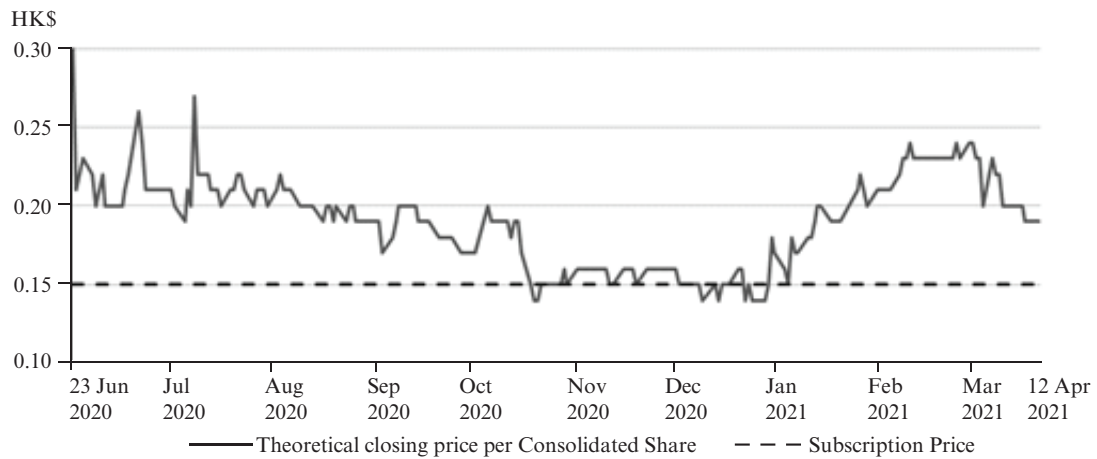
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- (ii) a discount of approximately 21.05% to the theoretical closing price of HK\$0.190 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.019 per Existing Shares as quoted on the Stock Exchange on the Last Trading Date;
- (iii) a discount of approximately 22.68% to the average theoretical closing prices of approximately HK\$0.194 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing prices of approximately HK\$0.0194 per Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 27.54% to the average theoretical closing prices of approximately HK\$0.207 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing prices of approximately HK\$0.0207 per Existing Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) 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;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 18.00%, 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 (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 Last Trading Day of approximately HK\$0.020 per Existing Share); and
- (vii) 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%.

4.1.2 Historical Share price performance

In order to assess the fairness and reasonableness of the Subscription Price with reference to the Share price performance over a longer time frame and taking into account effects of the 2020 Rights Issue, we have reviewed the theoretical daily closing prices of the Consolidated Share based on the daily closing prices of the Existing Shares as quoted on the Stock Exchange for the period from 23 June 2020 (being the date on which dealings in the fully-paid right shares following the completion of the 2020 Rights Issue commenced), up to and including the Last Trading Day (the “**Review Period**”). We are of the view that such period can provide a reasonable illustration of the share price performance for the purpose of historical Share price analysis. Set out in the chart below is the comparison of theoretical daily closing prices of the Consolidated Shares during the Review Period and the Subscription Price:

Theoretical daily closing price of the Consolidated Shares during the Review Period



Source: Website of the Stock Exchange

As illustrated in the above chart, the theoretical closing prices of the Consolidated Shares during the Review Period ranged from HK\$0.140 to HK\$0.310 per Consolidated Share, with an average of approximately HK\$0.191 per Consolidated Share. The Subscription Price of HK\$0.150 (i) represents a premium of approximately 7.14% over the lowest theoretical closing price of the Consolidated Shares during the Review Period; (ii) represents a discount of approximately 51.61% to the theoretical highest closing price of the Consolidated Shares during the Review Period; and (iii) falls within the range of the theoretical closing prices of the Consolidated Shares during the Review Period.

After the completion of the 2020 Rights Issue in June 2020, the theoretical closing price of Consolidated Shares started to decline from HK\$0.310 per Consolidated Share and the downward trend continued until October 2020, which may be due to the poor interim financial results of the Group for the six months ended 30 June 2020. Since October 2020, the theoretical closing price of Consolidated Shares started to fluctuate between HK\$0.140 and HK\$0.240 until the Last Trading Day.

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4.1.3 Comparison with other rights issues

To assess the fairness and reasonableness of the Subscription Price, we have identified 36 sample rights issues (the “Comparables”) based on the following criteria: (i) rights issues conducted by companies listed on the Stock Exchange; (ii) rights issues approved by the shareholders of the relevant companies; and (iii) rights issues that have issued prospectus for rights issue during the Review Period.

While the subject companies among the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. We believe the list of Comparables are exhaustive based on the criteria. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole.

The major terms of the Comparables are summarised below:

Prospectus Date	Company name	Stock code	Discount of the subscription price over		Theoretical dilution effect	Excess application	Underwriting/ placing arrangement	Underwriting commission or placing commission
			the closing price on the last trading day	the theoretical ex-right price based on the closing price on the last trading day				
			%	%	%		%	
30 Mar 2021	Beaver Group (Holdings) Company Limited	8275	34.38	17.32	20.63	No	Placing	3.50
26 Mar 2021	Esprit Holdings Limited	330	25.00	18.21	8.68	Yes	Underwriting	1.63
23 Mar 2021	Roma Group Limited	8072	31.32	10.07	23.63	Yes	Underwriting	2.50
19 Mar 2021	Sinolink Worldwide Holdings Limited	1168	42.86	31.37	20.09	Yes	N/A	(Note 2)
17 Mar 2021	Bossini International Holdings Limited	592	23.40	16.86	8.47	Yes	N/A	(Note 2)
3 Mar 2021	Chinlink International Holdings Limited	997	13.64	4.58	12.09	Yes	Underwriting	2.50
26 Feb 2021	Pacific Century Premium Developments Limited	432	0.00	0.00	0.00	Yes	N/A	(Note 2)
9 Feb 2021	Capital Finance Holdings Limited	8239	-4.65	-1.50	3.10	No	Placing	3.00
27 Jan 2021	Longhui International Holdings Limited	1007	29.00	16.96	14.50	Yes	Underwriting	1.50
25 Jan 2021	Top Form International Limited	333	21.88	16.67	6.25	No	Placing	1.00
19 Jan 2021	China Fortune Holdings Limited	110	5.36	2.75	2.75	Yes	N/A	(Note 2)
19 Jan 2021	Asia-Pac Financial Investment Company Limited	8193	10.70	2.90	10.30	No	Placing	2.50
21 Dec 2020	National Investments Fund	1227	28.57	6.25	23.81	Yes	Underwriting	3.50
14 Dec 2020	Wan Cheng Metal	8291	19.40	5.70	14.52	No	Placing	2.50
11 Dec 2020	Amber Hill Financial Holdings Limited	33	23.66	7.79	20.41	No	Placing	2.00
30 Nov 2020	Royal Century Resources Holdings Limited	8125	25.00	9.91	11.76	No	Underwriting & Placing	2.00

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Prospectus Date	Company name	Stock code	Discount of the subscription price over		Theoretical dilution effect	Excess application	Underwriting/ placing arrangement	Underwriting commission or placing commission
			the closing price on the last trading day	the theoretical ex-right price based on the closing price on the last trading day				
			%	%	%			%
24 Nov 2020	Green International Holdings Limited	2700	17.81	9.77	14.03	Yes	Underwriting	2.50
20 Nov 2020	CCIAM Future Energy Limited <i>(formerly known as The Hong Kong Building and Loan Agency Limited)</i>	145	13.90	10.90	3.50	Yes	Underwriting	1.50
18 Nov 2020	CHK Oil Limited	632	-26.58	-17.99	-6.96	Yes	N/A	<i>(Note 2)</i>
9 Nov 2020	Milan Station Holdings	1150	10.57	3.51	9.17	Yes	Underwriting	2.00
5 Nov 2020	Wealth Glory Holdings Limited	8269	11.10	3.60	8.50	Yes	Underwriting	2.50
27 Oct 2020	Aeso Holdings Limited	8341	16.70	4.80	12.50	No	Placing	2.50
29 Sep 2020	Beaver Group (Holdings) Company Limited	8275	28.95	20.95	10.53	Yes	Underwriting	5.00
18 Sep 2020	Summit Ascent Holdings Limited	102	0.00	0.00	0.00	No	Placing	1.50
8 Sep 2020	HMVOD Limited <i>(Note 3)</i>	8103	64.00	22.90	53.31	Yes	Underwriting	3.00
21 Aug 2020	Chinese Strategic Holdings Limited	8089	24.53	17.81	9.90	Yes	Underwriting	3.00
21 Aug 2020	Langham Hospitality Investments Limited	1270	13.60	9.50	5.20	Yes	N/A	<i>(Note 2)</i>
19 Aug 2020	GREATWALLE INC.	8315	27.54	21.88	7.25	Yes	Underwriting	<i>(Note 2)</i>
19 Aug 2020	Luxey International (Holdings) Limited	8041	58.30	48.20	19.90	Yes	N/A	<i>(Note 2)</i>
10 Aug 2020	Teamway International Group	1239	14.89	5.51	10.70	Yes	Placing	1.50
28 Jul 2020	China Merchants Securities Co., Ltd	6099	24.91	20.33	16.66	Yes	Underwriting	<i>(Note 2)</i>
23 Jul 2020	Victory City International Holdings Limited	539	30.35	12.50	20.40	Yes	Underwriting	1.75
22 Jul 2020	Cathay Pacific Airways Limited	293	46.90	35.00	15.40	Yes	Underwriting	2.00
15 Jul 2020	Future World Financial Holdings Limited	572	10.00	7.22	10.95	No	Underwriting & Placing	<i>(Note 1)</i>
9 Jul 2020	Hongda Financial Holding Limited	1822	0.00	0.00	0.00	Yes	N/A	<i>(Note 2)</i>
8 Jul 2020	Anxian Yuan China Holdings Limited	922	32.89	18.09	21.34	Yes	N/A	<i>(Note 2)</i>
		Maximum	64.00	48.20	53.31			5.00
		Minimum	-26.58	-17.99	-6.96			1.00
		Mean	20.83	11.68	12.31			2.42
		Median	22.64	9.84	10.83			2.50
	The Company	8163	21.05	6.83	18.00	Yes	Underwriting	2.00

Source: The Stock Exchange's website

Notes:

1. 3.50% for placing and 5.00% for underwriting.
2. Information is not available due to no underwriting or placing arrangement for the relevant rights issue; or the underwriting/placing commission was either on a lump sum basis or not disclosed.

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3. We noted that the rights issue conducted by HMVOD Limited was the only Comparable that constituted exceptional circumstances pursuant to Rule 10.44A of the GEM Listing Rules. Notwithstanding this, as it was a successful rights issue which has been approved by its shareholders, we are of the view that the rights issue conducted by HMVOD Limited (i) can reasonably serve as one of the references as to how the market perceive rights issues; and (ii) is therefore fair and reasonable to be included as one of the Comparables.

According to our research, we observed that over 85% of the Comparables had set the subscription price of their rights issue at a discount to (i) the prevailing market closing price (the “**LTD Price**”) of the relevant shares on the last trading day in relation to the respective rights issue; and (ii) the theoretical ex-rights prices (the “**Ex-right Price**”) based on the LTD Price. It is therefore a normal market practice for listed companies to set the subscription price of rights issue at a discount to the LTD Price and the Ex-right Price, so as to encourage participation.

Further analysis of the subscription prices of the Comparables reveals that they (i) ranged from a premium of approximately 26.58% to a discount of approximately 64.00% (the “**LTD Range**”), with a median of discount of approximately 22.64% (the “**LTD Median Discount**”) and a mean of discount of approximately 20.83% (the “**LTD Mean Discount**”) to the LTD Price; and (ii) ranged from a premium of approximately 17.99% to a discount of approximately 48.20% (the “**Ex-right Prices Range**”), with a median of discount of approximately 9.84% (the “**Ex-right Prices Median Discount**”) and a mean of discount of approximately 11.68% (the “**Ex-right Prices Mean Discount**”) for their respective average Ex-right Prices per share based on the closing prices on the respective last trading days.

The Subscription Price of HK\$0.150 per Rights Share represents (i) a discount of approximately 21.05% to the LTD Price (the “**LTD Discount**”); and (ii) a discount of approximately 6.83% to the Ex-right Prices per share based on the closing prices on the Last Trading Day (the “**Ex-right Prices Discount**”). We noted that (i) the LTD Discount falls within the LTD Range and is close to the LTD Median Discount and the LTD Mean Discount; (ii) the Ex-right Prices Discount falls within the Ex-right Prices Range is not as deep as both the Ex-right Prices Median Discount and the Ex-right Prices Mean Discount respectively.

4.1.4 Conclusion on the Subscription Price

Taking into consideration that (i) the Subscription Price falls within the range of the theoretical closing prices of the Consolidated Shares during the Review Period; (ii) the Subscription Price represents a premium of approximately 7.14% over the lowest theoretical closing price of the Shares during the Review Period; (iii) the LTD Discount and Ex-right Price Discount fall within the LTD Range and Ex-right Prices Range respectively; and (iv) it appears a common market practice to set the Subscription Price at a discount to prevailing market prices to attract Shareholders and potential investors to participate in a rights issue, we are of the view that it is justifiable that the Subscription Price be at a discount to its prevailing market price to increase the likelihood of achieving the fund-raising objective and the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4.2 Excess application

As mentioned in the “Letter from the Board” contained in the Circular, Qualifying Shareholders may apply for 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.

Among the Comparables, we noted that 26 out of 36 of the Comparables allow for application of excess rights shares. As such, we consider that it is a market practice for providing application for excess rights shares, and the possibility of applying for excess Rights Share under the proposed Rights Issue is normal commercial arrangement.

4.3 The Underwriting Agreement

The Rights Shares will be fully underwritten. The terms of the Underwriting Agreement as described under the paragraph headed “The Underwriting Agreement” in the “Letter from the Board” contained in the Circular.

According to the Underwriting Agreement, the underwriting commission is 2.00% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares (the “**Underwriting Commission**”).

To assess the fairness and reasonableness of the Underwriting Commission, we have identified the underwriting commission for those rights issue on underwritten basis, or placing commission for those rights issue on non-underwritten basis, of the Comparables (the “**Comparables Commissions**”). Given that both underwriting commission and placing commission are fees charged by agents for procuring investors to subscribe for rights shares that are not taken up, we believe that the identified 36 Comparables are exhaustive based on the criteria and are reasonable and sufficient for us to form a view on the fairness and reasonableness of the Underwriting Commission.

We noted that the Comparables Commissions ranged from 1.00% to 5.00% with a mean and median of approximately 2.42% and 2.50% respectively. If excluding the placing commissions for those rights issues on non-underwritten basis, the underwriting commissions for those rights issue on underwritten basis ranged from 1.50% to 5.00% with a mean and median of approximately 2.62% and 2.50% respectively. The Underwriting Commission of approximately 2.00% falls within both ranges and is lower than both means and medians of the Comparables Commissions. Hence, we consider that the Underwriting Commission pursuant to the Underwriting Agreement is fair and reasonable.

4.4 Section summary

Taking into consideration (i) the Subscription Price is fair and reasonable; (ii) the features of the Rights Issue are in line with the market practice; and (iii) the Underwriting Commission is fair and reasonable, we concur with the Management that the terms of the Rights Issue are fair and reasonable.

5. Financial impacts of the Rights Issue

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

5.1 Liquidity

According to the 2020 Annual Report, the bank balances and cash of the Group amounted to approximately HK\$27.6 million as at 31 December 2020. As not less than approximately HK\$12.97 million or not more than HK\$14.26 million of the net proceeds from the Rights Issue will be applied as general working capital of the Group, the Group's liquidity position would be improved upon completion of Rights Issue.

5.2 Gearing ratio

According to the 2020 Annual Report, the gearing ratio of the Group (being a ratio of total interest-bearing debts, including borrowings and convertible bonds of approximately HK\$74.7 million to the total assets of approximately HK\$108.2 million) was approximately 0.69 as at 31 December 2020. Since part of the net proceeds are intended to be utilised for the repayment of Promissory Notes and 2021 June Loan, the gearing ratio of the Group will be improved as a result of the Rights Issue.

5.3 Net tangible liabilities

According to the "Unaudited pro forma financial information of the Group" as set out in Appendix II to the Circular, assuming that the Rights Issue had been completed on 31 December 2020, the Group's net tangible liabilities per Consolidated Share would have decreased from approximately HK\$0.543 per Consolidated Share to approximately HK\$0.046 per Consolidated Share, representing an improvement in the Group's net liability position.

Given the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders.

6. Possible dilution effect of the Rights Issue

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. If the Qualifying Shareholders subscribe for all Rights Shares that they are entitled to, they will not be subject to dilution.

For those Qualifying Shareholders who take up all of their provisionally allotted Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not take up the Rights Shares to which they are entitled will be diluted. Subject to the then prevailing market conditions, they can consider selling their nil-paid Rights Shares in the market.

However, the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The Company will make arrangements to dispose of the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in the market in their nil-paid form. For details, please refer to the paragraph headed "Rights of Overseas Shareholders" in the "Letter from the Board" contained in the Circular.

For the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up at all, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 71.43% (assuming no Non-Undertaking Share Options being exercised and no change in the number of issued Shares from the Latest Practicable Date up to the Record Date).

Notwithstanding the potential dilution to the Shareholders' proportional shareholding interest in the Company from the Rights Issue and the cumulative theoretical dilution effect of the Rights Issue, the 2020 Rights Issue, 2008 Convertible Bonds and Team Sunny Convertible Bonds of approximately 15.10%, having considered that (i) the intended use of proceeds from the Rights Issue will satisfy the Company's imminent funding needs; (ii) all Qualifying Shareholders have the opportunity to decide whether to subscribe for the Rights Shares; and (iii) Shareholders who decide not to or are unable to subscribe for the Rights Shares have the opportunity to realise their nil-paid Rights Shares, we are of the view that, as compared to other equity fund-raising methods such as placing of new Shares and open offer where the Shareholders are not offered the opportunity to decide whether to participate in or avoid being diluted, the possible dilution effect of the Rights Issue and the cumulative theoretical dilution effect of the Rights Issue, the 2020 Rights Issue, 2008 Convertible Bonds and Team Sunny Convertible Bonds are acceptable and justifiable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue (including the Subscription Price) are fair and reasonable; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the resolutions at the EGM in relation to the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

Simon Kwok
Senior Manager

Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Simon Kwok (“Mr. Kwok”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in financial services industry, including over four years of corporate finance advisory experience in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Kwok is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. FINANCIAL SUMMARY OF THE GROUP

Details of the unaudited consolidated financial statements of the Group for the 3 months ended 31 March 2021 and the audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.merdeka.com.hk/>).

- (i) The unaudited financial information of the Group for the three months ended 31 March 2021 is disclosed in the first quarterly report of the Company for the three months ended 31 March 2021 published on 14 May 2021, from pages 1 to 27;

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0514/2021051401583.pdf>

- (ii) The audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 30 March 2021, from pages 79 to 211;

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000732.pdf>

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

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

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

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

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had bank borrowings of approximately HK\$571,000, lease liabilities of approximately HK\$2,244,000 and convertible bonds with principal amount of approximately HK\$108,874,000. All the balances are unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Save as aforementioned in this indebtedness statement, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 March 2021, up to and including the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

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

4. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement of the Company dated 7 May 2021 and the first quarterly report of the Company for the three months ended 31 March 2021 in which it was announced that the Group has record a net loss of approximately HK\$4.6 million for the three months ended 31 March 2021 as compared to the net profit of approximately HK\$5.0 million for the three months ended 31 March 2020 due to weak business environment caused by the outbreak of COVID-19 that the value and volume of transactions in financial services business and corporate consulting business segments was slightly reduced. Save as disclosed in the publication above, the Directors were not aware of any material adverse change in the financial or trading position since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in (i) financial services business including the securities brokerage services, provision of corporate finance advisory services, asset management business, money lending services and financial leasing business; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; (iii) trading business; and (iv) information technology business.

According to the first quarterly report of the Company for the three months ended 31 March 2021, for the three months ended 31 March 2021, the Group recorded a revenue of approximately HK\$6.6 million (the three months ended 31 March 2020: approximately HK\$14.0 million). Loss for the period attributable to owners of the Company was approximately HK\$4.6 million, as compared to a profit for the three months ended 31 March 2020 attributable to owners of the Company of approximately HK\$2.0 million. The net loss was mainly attributable to (i) the absence of reversal of impairment loss on other receivables of approximately HK\$9.0 million; (ii) the recognition of share-based payment of approximately HK\$1.0 million and (iii) a slightly decrease in gross profit of approximately HK\$1.4 million due to weak business environment caused by the outbreak of COVID-19 that the value and volume of transactions in financial services business and corporate consulting business segments was slightly reduced.

According to the annual report of the Company for the year ended 31 December 2020, for the year ended 31 December 2020, the Group recorded a revenue of approximately HK\$39.9 million (the year ended 31 December 2019: approximately HK\$482.7 million). Loss for the period attributable to owners of the Company was approximately HK\$71.7 million (the year ended 31 December 2019: approximately HK\$84.1 million). The net loss was mainly attributable from the impairment loss on finance lease receivables.

Given the businesses of both corporate finance advisory services and asset management continuously contributed revenue and operating profit to the Group since they commenced businesses in late 2019 and the loan interest income recognised from the provision of loans starting from the third quarter of 2020, should the impairment loss of finance lease receivables be excluded, the net loss of the Group for the year ended 31 December 2020 would be approximately HK\$19.7 million, which represented a significant drop in net loss as compared with the net loss of HK\$36.0 million for the year ended 31 December 2019.

During the year ended 31 December 2020, the financial services business recorded a turnover and segment profit of approximately HK\$21.8 million and HK\$4.5 million respectively (2019: turnover and segment loss of approximately HK\$11.8 million and HK\$11.2 million respectively).

The financial leasing services business continued facing fierce competitions and stricter lending conditions environment and expects its development will remain sluggish in the coming future. On the other hand, the Group puts more effort in strengthening and expanding the licensed financial services business under the SFC. Given that the stronger demand of corporate finance advisory services in the market, the turnover and segment profit of corporate finance advisory business for the year ended 31 December 2020 was approximately HK\$12.8 million (the year ended 31 December 2019: approximately HK\$1.3 million) and approximately HK\$7.8 million (the year ended 31 December 2019: approximately HK\$0.2 million) respectively. Corporate finance advisory business becomes a core business of the Group. The Group will continue to expand the clients base and establish a strong track record in order to strengthen the licensed financial services business in the coming future. The Group will also continue to explore new business opportunities in financial technology industry (“**Fin-tech**”) to capture the potential growth of the booming of Fin-tech to create synergy effect with the Group’s existing financial services business, including the securities brokerage services, corporate finance advisory services, money lending services and asset management business.

The Group has carried out the asset management and advisory business with Type 4 (advising on securities) and Type 9 (asset management) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”). During the year ended 31 December 2020, the turnover of asset management and advisory business was approximately HK\$7.7 million (the year ended 31 December 2019: approximately HK\$1.0 million) and the segment profit of HK\$5.5 million (segment loss of the year ended 31 December 2019: approximately HK\$2.2 million). In January 2021, the Group has launched an open-ended Cayman Island mutual fund. The current asset under management of the mutual fund is approximately US\$30 million. The Group acts as investment manager in return for management fee and performance fee if applicable. The

Group believes asset management and advisory business is still demanding in Hong Kong and it is the intention of the Group to continue to explore new subscribers to increase the Group's asset under management in order to generate additional management and performance fee.

During the year ended 31 December 2020, the corporate consulting business recorded a turnover and segment profit of approximately HK\$7.7 million (the year ended 31 December 2019: approximately HK\$8.9 million) and approximately HK\$1.2 million (the year ended 31 December 2019: approximately HK\$2.6 million) respectively. Corporate governance is vital importance to the public companies for meeting international standard and market expectations nowadays. The Group expects the demand for governance related services will have remarkable increase in the coming future and the management of the Group will actively seek opportunities to expand its existing client base in both listed and unlisted companies.

The revenue of the trading business for the year ended 31 December 2020 was approximately HK\$10.3 million (the year ended 31 December 2019: approximately HK\$462.0 million) and a segment loss of approximately HK\$0.6 million (the year ended 31 December 2019: approximately HK\$2.9 million). The outbreak of COVID-19 in 2020 was a big challenge towards the trading business. The business environment had become more difficult due to the threat of COVID-19 infection heavily weighing on the inbound tourism and local consumption sentiment. Given the current situation of the trading business of the Group, the Board therefore considers that a more prudent approach in terms of business development should be adopted, and it is not an appropriate business strategy to expand the retail network in Hong Kong in the near future.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2020 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue on the audited consolidated net tangible liabilities of the Group as if the Rights Issue had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of consolidated net tangible liabilities of the Group attributable to owners of the Company had the Rights Issue been completed as at 31 December 2020 or at any future date.

The following Unaudited Pro Forma Financial Information of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2020, extracted from the published annual report of the Group for the year ended 31 December 2020, with adjustment described below:

Audited consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2020 <i>HK\$'000</i>	Unaudited consolidated net tangible liabilities attributable to owners of the Company per Share before the completion of the Rights Issue <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company per Share immediately after the completion of the Rights Issue <i>HK\$'000</i> <i>(Note 4)</i>
Based on 346,310,897 Rights Shares at subscription price of HK\$0.150 per Rights Share				
(71,875)	49,790	(22,085)	(0.543)	(0.046)

Notes:

- 1) The audited consolidated net tangible liabilities attributable to owners of the Company as at 31 December 2020 has been extracted from the published annual report of the Company for the year ended 31 December 2020, adjusted by intangible assets and goodwill of approximately HK\$3,622,000 and HK\$5,470,000 respectively.
- 2) The estimated net proceeds from the Rights Issue is approximately HK\$49,790,000 are based on 346,310,897 Rights Shares to be issued at the Subscription Price of HK\$0.150 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$2,150,000 (excluding professional fees payable to the group companies).
- 3) The unaudited consolidated net tangible liabilities of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is determined based on the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2020 of approximately HK\$71,875,000 as disclosed in note 1 above, divided by 132,324,359 Shares of the Company in issue as at 31 December 2020 (assuming the proposed Share Consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.1 each became effective on 31 December 2020).
- 4) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group after the completion of the Rights Issue per share is determined based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2020 for the Rights Issue of approximately HK\$22,085,000 divided by Shares which comprise 132,324,359 Shares in issue as at 31 December 2020 (assuming the proposed Share Consolidation became effective on 31 December 2020) and 346,310,897 Rights Shares to be issued after the completion of the Rights Issue, assuming that the proposed Share Consolidation effective on 31 December 2020 and no outstanding share options of the Company will be exercised and the convertible bonds will not be converted into ordinary shares.
- 5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2020.

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



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

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Merdeka Financial Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (“Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible liabilities as at 31 December 2020, and related notes (the “Unaudited Pro Forma Financial Information”) as set out in Appendix II of the circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of five rights share at the subscription price of HK\$0.150 per rights share (the “Rights Share”) for every two consolidated shares held on the record date (the “Rights Issue”) as if the transaction had taken place as at 31 December 2020. As part of this process, information about the unaudited consolidated statement of financial position of the Group as at 31 December 2020, as extracted by the Directors from the Company’s annual report for the year ended 31 December 2020, on which audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of the significant transaction on consolidated net tangible liabilities of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

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

Elite Partners CPA Limited
Certified Public Accountants

Leung Man Kin

Practising Certificate Number: P07174

Hong Kong, 25 May 2021

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

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

Authorised:	<i>HK\$</i>
<u>20,000,000,000</u> Existing Shares of HK\$0.01 each	<u>200,000,000.00</u>

Issued and paid-up share capital:

<u>1,385,243,595</u> Existing Shares of HK\$0.01 each	<u>13,852,435.95</u>
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- ii. The following table illustrates the share capital structure of the Company immediately following the Share Consolidation becoming effective (assuming no Non-Undertaking Outstanding Share Options being exercised and no other issue or repurchase of Share from the Latest Practicable Date to the date when the Share Consolidation having become effective) will be as follows:

Authorised:	<i>HK\$</i>
<u>2,000,000,000</u> Consolidated Shares of HK\$0.10 each	<u>200,000,000.00</u>

Issued and paid-up share capital:

<u>138,524,359</u> Consolidated Shares of HK\$0.10 each	<u>13,852,435.90</u>
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- iii. The following table illustrates the share capital structure of the Company immediately after the Share Consolidation becoming effective and the completion of the Rights Issue (assuming no Non-Undertaking Outstanding Share Options being exercised and no other issue or repurchase of Shares from the Latest Practicable Date to the date of completion of the Rights Issue) will be as follows:

Authorised:		<i>HK\$</i>
<u>2,000,000,000</u>	Consolidated Shares of HK\$0.10 each	<u>200,000,000.00</u>
Issued and paid-up share capital:		
138,524,359	Consolidated Shares immediately following the Shares Consolidation having become effective	13,852,435.90
346,310,897	Rights Shares to be allotted and issued upon completion of the proposed Rights Issue	34,631,089.70
<u>484,835,256</u>	Consolidated Shares in issue immediately upon completion of the Rights Issue	<u>48,483,525.60</u>

- iv. The following table illustrates the share capital structure of the Company immediately after the Share Consolidation becoming effective and the completion of the Rights Issue (assuming all Non-Undertaking Outstanding Share Options being exercised and no other issue or repurchase of Shares from the Latest Practicable Date to the date of completion of the Rights Issue) will be as follows:

Authorised:		<i>HK\$</i>
<u>2,000,000,000</u>	Consolidated Shares of HK\$0.10 each	<u>200,000,000.00</u>
Issued and paid-up share capital:		
142,027,944	Consolidated Shares immediately following the Shares Consolidation having become effective	14,202,794.40
355,069,860	Rights Shares to be allotted and issued upon completion of the proposed Rights Issue	35,506,986.00
<u>497,097,804</u>	Consolidated Shares in issue immediately upon completion of the Rights Issue	<u>49,709,780.40</u>

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

The Consolidated Shares and the Rights Shares to be issued will be listed on the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Consolidated Shares and the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

The Share Option Scheme

As at the Latest Practicable Date, the Company had Outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 70,355,854 Existing Shares, details of which are set out below:

Date of grant	Exercise period	Exercise price	Number of underlying Shares
30 May 2012	30 May 2012 to 29 May 2022	HK\$33.33	35,854
20 January 2021	20 January 2021 to 19 January 2024	HK\$0.015	35,320,000
20 January 2021	20 January 2021 to 19 January 2026	HK\$0.015	35,000,000

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

3. DISCLOSURE OF INTERESTS

a) Interest of Directors

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

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the total issued share capital of the Company
Mr. Wong Hin Shek <i>(Note 1)</i>	Controlled corporation	390,730,000	861,869,554	1,252,599,554	90.42%
Mr. Cheung Wai Yin, Wilson <i>(Note 2)</i>	Personal	55,781	—	55,781	0.004%
Ms. Tsang Kwai Ping <i>(Note 3)</i>	Personal	9,000,000	—	9,000,000	0.65%

Note:

- The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company.
- Mr. Cheung is an executive Director of the Company.
- Ms. Tsang is an executive Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352

of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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

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

Long position in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest
Team Sunny	Beneficial owner	390,730,000 ^(Note)	28.21%

Note: Team Sunny is owned as to 100% by Mr. Wong whose is deemed to be interested in 390,730,000 Shares pursuant to the Part XV of the SFO.

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

Name of the holder of the convertible bonds	Capacity	Principal amount of the convertible bonds HK\$	Number of the total underlying Shares	Approximate percentage of total issued share capital of the Company
Team Sunny	Beneficial owner	94,805,651	861,869,554	62.22%

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

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

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

Mr. Wong, the Chairman, the Chief Executive Officer, an executive Director and the substantial shareholder of the Company, is the chairman and an executive director of DeTai New Energy Group Limited (stock code: 559) (“**DeTai**”), the issued shares of which are listed on the Stock Exchange. One of the subsidiaries of DeTai is engaged in money lending business, which competes or is likely to compete, either directly or indirectly of the money lending business of the Group. To safeguard the Group’s interest, Mr. Wong is not involved in the day-to-day business operations of the money lending business of DeTai and will abstain from voting on any matter in relation to the money lending business of DeTai if there is or may be a conflict of interest.

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

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

such Ms. Tsang New Business Opportunity is offered to her and/or her close associates; and (iii) if the Group has not given written notice of its desire to invest in such Ms. Tsang New Business Opportunity or has given written notice denying the Ms. Tsang New Business Opportunity within thirty (30) Business Days of receipt of notice from Ms. Tsang, Ms. Tsang and/or her close associates shall be permitted to invest in or participate in the Ms. Tsang New Business Opportunity on her own record.

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. LITIGATION

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

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

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

On 13 November 2017, the Company received a petition made by Mr. Au Kai To Karel (the "**Petition**") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the laws of Hong Kong (the "**CWUMPO**") from the High Court

(HCCW 343 of 2017) that the Company may be wound up by the High Court under the provisions of the CWUMPO on the ground that the Company is deemed to be unable to pay the sum of HK\$4.4 million as stipulated therein the Judgement.

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

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

On 20 May 2019, the High Court ordered that the Petition made by Mr. Au Kai To Karel (the "**Petitioner**") under HCCW 343 of 2017 to wind up the Company be dismissed with costs payable by the Petitioner to the Company. With respect to the HK\$4.4 million payment made by the Company on 7 May 2018, the Court of Appeal will make further direction or determination on a date to be fixed.

On 13 August 2020, the Company received a judgement dated 13 August 2020 handed down by the Court of Appeal, among others, that an order made in favor of Mr. Au Kai To Karel, the plaintiff, for the payment of HK\$4.4 million and ordering the Company and End User to pay the costs of HK\$0.1 million. After seeking legal advice, the Group decided not to appeal against the Court of Appeal's judgement.

For details, please refer to the announcements of the Company dated 22 January 2015, 29 September 2017, 14 November 2017, 16 November 2017, 6 February 2018, 20 February 2018, 16 May 2018, 22 January 2019, 21 May 2019, 14 August 2020 and 11 September 2020.

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

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
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
Elite Partners CPA Limited	Certified Public Accountants

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

- (i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

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

- (i) the placing agreement dated 12 July 2019 entered into between the Company and the Head & Shoulders Securities Limited in relation to the placing of new shares under general mandate at the price of HK\$0.016 per placing share. The gross proceeds and net proceeds of the placing are approximately HK\$6.53 million and HK\$6.26 million, respectively. Further details of which are set out in the announcement of the Company dated 12 July 2019;
- (ii) the underwriting agreement dated 10 January 2020 (as amended and supplemented by the extension letters dated 31 January 2020, 21 February 2020 and 13 March 2020) entered into between the Company and Head & Shoulders Securities Limited in relation to the rights issue announced on 10 January 2020. The gross proceeds and net proceeds from the rights issue is approximately HK\$115.37 million HK\$110.80 million, respectively;
- (iii) the conditional subscription agreement dated 10 January 2020 (as amended and supplemented by the supplemental agreement dated 20 March 2020) entered into between the Company and Team Sunny in relation to the subscription of the Team Sunny Convertible Bonds in the principal amount of HK\$39,805,651 by Team Sunny;
- (iv) the supplemental deed dated 10 January 2020 and entered into between the Company and the holders of the 2008 Convertible Bonds in respect of (a) the proposed extension of the maturity date of the 2008 Convertible Bonds for a further term of three years from 13 August 2020 to 12 August 2023; and (b) the proposed revision of the conversion price from HK\$0.95 per Share to HK\$0.110 per Share with effect from 13 August 2020; and
- (v) the Underwriting Agreement (as amended and supplemented by the extension letter dated 3 May 2021).

10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1108, 11/F. Wing On Centre 111 Connaught Road Central Central, Hong Kong
Company secretary	Ms. Hau Hei Man, Sonya
Compliance officer	Ms. Tsang Kwai Ping
Authorised representatives	Mr. Wong Hin Shek Ms. Hau Hei Man, Sonya
Principal share registrar and transfer office in the Cayman Islands	Suntera (Cayman) Limited Suite 3204, Unit 2A Block 3, Building D P.O. Box 1586, Gardenia Court Camana Bay, Grand Cayman KY1-1100, Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Bank of Communications 20 Pedder Street Central Hong Kong

Reporting accountants	Elite Partners CPA Limited 10/F., 8 Observatory Road Tsim Sha Tsui Kowloon Hong Kong
Legal advisers to the Company in relation to the Rights Issue	<i>As to Hong Kong law</i> Michael Li & Co. 19th Floor Prosperity Tower 39 Queen's Road Central Central Hong Kong <i>As to Cayman Islands law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Financial adviser to the Company	Merdeka Corporate Finance Limited Room 1108, 11/F. Wing On Centre 111 Connaught Road Central Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Altus Capital Limited 21 Wing Wo Street Central Hong Kong
Underwriter	Head & Shoulders Securities Limited 28-29/F Queen's Road Centre 152 Queen's Road Central Hong Kong

11. EXPENSES

The expenses in connection with the proposed Share Consolidation and the Rights Issue and the transactions contemplated respectively thereunder, including underwriting commission, financial advisory fees, legal fee, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.15 million, which are payable by the Company.

12. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Mr. Wong Hin Shek, aged 51, joined in September 2020, is an executive Director, the Chairman, the Chief Executive Officer, an authorised representative under Rule 5.24 of the GEM Listing Rules (“**Authorised Representative**”) and an authorised representative for accepting service of any process and notices in Hong Kong under Part 16 of the Companies Ordinance (“**Process Agent**”), a substantial Shareholder and a director of various subsidiaries of the Company. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Besides having over 26 years of experience in the investment banking industry, Mr. Wong has been involved in the management, business development and strategic investment of listed companies in Hong Kong, having operations in finance, information technology, hotel, manufacturing and environmental protection industries. Mr. Wong is currently the chairman and an executive director of DeTai New Energy Group Limited (stock code: 559) (“**DeTai**”) and a non-executive director of Sino Golf Holdings Limited (stock code: 361), both companies listed on the Main Board of the Stock Exchange. He was an executive director of GET Holdings Limited (stock code: 8100), a company listed on GEM of the Stock Exchange, from September 2017 to April 2019. Mr. Wong was also an executive director, the chief executive officer and a non-executive director of Bisu Technology Group International Limited (now known as China Carbon Neutral Development Group Limited) (stock code: 1372), a company listed on the Main Board of the Stock Exchange, from July 2015 to November 2018, from March 2017 to November 2018 and from November 2018 to April 2019 respectively.

Mr. Cheung Wai Yin, Wilson, aged 50, joined in 2012, is currently an executive Director and a director of various subsidiaries of the Company. He was the Chairman, the Chief Executive Officer, the compliance officer of the Company (the “**Compliance Officer**”), an Authorised Representative, an Process Agent and a member of each of the remuneration committee of the Company (the “**Remuneration Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”) from August 2012 to September 2020. He holds a Master of Science Degree in Financial Engineering from City University of Hong Kong and Bachelor Degrees in Arts and Administrative Studies from York University, Canada. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute. Mr. Cheung has over 21 years of experience in the field of audit, business development, corporate finance and financial management.

Ms. Tsang Kwai Ping, aged 42, joined in April 2019, is an executive Director, the Compliance Officer and a director of various subsidiaries of the Company. Ms. Tsang holds Master Degree in Corporate Governance from The Hong Kong Polytechnic University and a Bachelor Degree in Accountancy from City University of Hong Kong. Ms. Tsang is a member of both of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also an associate member of both of The Hong Kong Institute of Chartered Secretaries

and The Chartered Governance Institute in the United Kingdom. She is the company secretary of DeTai, a company listed on the Main Board of the Stock Exchange. Ms. Tsang has extensive experience in accounting, financial management and company secretarial matters.

Independent Non-executive Directors

Ms. Ng Ka Sim, Casina, aged 48, joined in May 2019 as an independent non-executive Director and is a member of each of the Nomination Committee, the Remuneration Committee and the audit committee of the Company (the “**Audit Committee**”). She holds a Bachelor of Business (Accountancy) Degree from Royal Melbourne Institute of Technology. Ms. Ng is a member of both the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Ms. Ng was the chief financial officer and company secretary of GR Properties Limited (stock code: 108), a company listed on the Main Board of the Stock Exchange from August 2019 to November 2019. She was the group financial controller of Luxey International (Holdings) Limited (stock code: 8041), a company listed on GEM of the Stock Exchange from 2011 to 2018. Ms. Ng has over 21 years of experience in auditing, accounting and financial management.

Mr. Wong Wing Kit, aged 50, joined in October 2019 as an independent non-executive Director and is a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee. He holds a Master of Business Administration Degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong held senior positions with various local and international institutions. Mr. Wong has over 28 years of experience in auditing, accounting management, financial reporting and analysis and financial system implementation.

Ms. Yeung Mo Sheung, Ann, aged 56, joined in 2012 as an independent non-executive Director and is a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee. She holds a Bachelor Degree of Retail Marketing with honours in the United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998. She is a solicitor of Messrs. Fung & Fung, Solicitors, a legal firm in Hong Kong. Ms. Yeung is an independent non-executive director of Success Universe Group Limited (stock code: 487), a company listed on the Main Board of the Stock Exchange and E Lighting Group Holdings Limited (stock code: 8222), a company listed on GEM of the Stock Exchange. Ms. Yeung has over 21 years of experience in legal field.

13. GENERAL

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

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's head office and principal place of business at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong for a period of 14 days from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31 December 2018, 2019 and 2020;
- (iii) the first quarterly report of the Company for the three months ended 31 March 2021;
- (iv) the letter from the Independent Board Committee, the text of which is set out from pages IBC-1 to IBC-2 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-19 in this circular;
- (vi) the report from Elite Partners CPA Limited on the unaudited pro forma financial information of the Group upon completion of the Rights Issue, the text of which is set out in Appendix II to this circular;

- (vii) the written consents referred to in the paragraph headed “8. EXPERTS AND CONSENTS” in this Appendix;
- (viii) the material contracts referred to in the paragraph headed “9. MATERIAL CONTRACTS” in this Appendix; and
- (ix) this circular.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Merdeka Financial Group Limited (the “**Company**”) will be held at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong on Tuesday, 15 June 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
 - (a) every ten (10) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.1 each (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
 - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the board (the “**Board**”) of directors (the “**Directors**”) of the Company may think fit; and
 - (c) the Directors be and are hereby authorised to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any and all of the foregoing.”
2. “**THAT** conditional upon (i) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and

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issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Underwriting Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:

- (a) the issue by way of rights (the “**Rights Issue**”) of not less than 346,310,897 Consolidated Shares of HK\$0.1 each in the share capital of the Company and not more than 355,069,860 Consolidated Shares (each a “**Rights Share**”) to the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the “**Record Date**”) (excluding those Shareholders (the “**Non-Qualifying Shareholders**”) of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the Board considers it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places), in the proportion 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 be and is hereby approved;
- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 12 April 2021 (as amended and supplemented by the extension letter dated 3 May 2021 and from time to time) and entered into among the Company and Head & Shoulders Securities Limited (a copy of the Underwriting Agreement has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Board or a committee thereof be and is hereby authorised to allot and issue the Rights Shares (in both nil-paid form and fully-paid form) pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company; and

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- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 25 May 2021

Notes:

- (1) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (i.e. 11:00 a.m. on Sunday, 13 June 2021). Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the Meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.
- (3) The register of members of the Company will be closed from Tuesday, 8 June 2021 to Tuesday, 15 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of the Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 7 June 2021.
- (4) In the case of joint holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (5) The Meeting is expected to last for less than half a day. Members (in person or by proxy) attending the Meeting are responsible for their own transportation and accommodation expenses. Members or their proxies attending the Meeting shall present their identity certifications.

NOTICE OF EGM

- (6) If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal or “extreme conditions” caused by a super typhoon is expected to be in force any time after 7:30 a.m. on the date of the Meeting, then the Meeting will be adjourned. The Company will post an announcement on the website of the Company at <http://www.merdeka.com.hk> and GEM website at <http://www.hkgem.com> to notify shareholders of the date, time and place of the adjourned meeting. The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Members of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.
- (7) Regarding the recent outbreak of novel coronavirus in China, the Board will assess the impact of the outbreak of novel coronavirus in the local community, the disruption of the travel arrangement of the Shareholders and delivery of the proxy forms between China and Hong Kong and whether or not it is necessary to adjourn the EGM. If necessary, the Company will post an announcement on the website of the Company at <http://www.merdeka.com.hk> and GEM website at <http://www.hkgem.com> as soon as practicable to notify members of the Company of the date, time and place of the adjourned meeting. Any adjourned meeting will be held in Hong Kong.
- (8) The Company will implement the following novel coronavirus precautionary measures at the EGM, including: (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.3 degree Celsius will not be permitted access to the EGM venue); (b) request of wearing of surgical face masks throughout the EGM and not wearing surgical face masks will not be permitted access to the EGM venue; (c) hand sanitizer will be provided; (d) no refreshments will be served and there will be no corporate gifts; and (e) other safety measures as appropriate.
- (9) As at the date of this notice, 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.