
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

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

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

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

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



MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

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

Financial adviser to the Company



Underwriter to the Rights Issue



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

It should be noted that the Shares 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.

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

The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 14 July 2021. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 16 to 20 of this Prospectus.

29 June 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.

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

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

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

Event	Date (Hong Kong time)
Designated broker starts to stand in the market to provide matching services for odd lots of 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
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 23 July 2021
Designated broker ceases to stand in the market to provide matching services for odd lots of the fully-paid Rights Shares	4:00 p.m. on Thursday, 12 August 2021

EXPECTED TIMETABLE

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this Prospectus 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 Prospectus, unless the context otherwise requires, the following expressions have the meanings as set out below:

“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
“2020 Rights Issue”	the rights issue on the basis of four rights shares for every one existing shares announced by the Company on 10 January 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)
“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 Prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 25 May 2021 in respect of, among others, the Share Consolidation and the Rights Issue
“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
“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 convened and held on 15 June 2021 at which the Share Consolidation and the Rights Issue and the transactions contemplated thereunder were approved by the Shareholders and the Independent Shareholders respectively
“Excluded Options Holders”	the Options Holders who in aggregate hold 3,532,000 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 “RIGHTS ISSUE” in this Prospectus
“Existing Share(s)”	existing ordinary share(s) of HK\$0.01 each in the Share capital of the Company prior to the Share Consolidation having becomes effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“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 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
“Latest Practicable Date”	Thursday, 24 June 2021, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on 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 5,578 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

DEFINITIONS

“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 900,000 Shares as at the Latest Practicable Date
“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”	3,503,585 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 7,035,585 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

DEFINITIONS

“PRC”	People’s Republic of China, which for the purpose of this Prospectus 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”	this prospectus dated 29 June 2021 and issued by the Company in relation to the Rights Issue
“Prospectus Documents”	this Prospectus, PAL and EAF
“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) 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 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
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of issued Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Share of HK\$0.10 each, which became effective on 17 June 2021
“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 39,073,000 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 “RIGHTS ISSUE” in this Prospectus
“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 Rights Issue

DEFINITIONS

- “Underwritten Shares” the number of Rights Shares to be underwritten by the Underwriter of 248,628,397 Rights Shares
- “Untaken Shares” those (if any) of the Rights Shares in respect of which valid applications under the PALs and EAFs have not been received on or before the Latest Time for Acceptance
- “%” or “per cent.” percentage or per centum

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

TERMINATION OF THE UNDERWRITING AGREEMENT

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

- 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

29 June 2021

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

Dear Sir or Madam,

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

INTRODUCTION

References are made to the Announcement and the Circular in relation to, among other things, the Share Consolidation and the Rights Issue.

At the EGM convened and held on Tuesday, 15 June 2021 at 11:00 a.m., the necessary resolutions for approving, among other things, the Share Consolidation and the Rights Issue and the transactions contemplated respectively thereunder were duly passed by the Independent Shareholders.

LETTER FROM THE BOARD

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

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

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every two (2) 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	:	138,524,359 Shares
Number of Rights Shares	:	346,310,897 Rights Shares
Aggregate nominal value of the Rights Share	:	HK\$34,631,089.7
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 248,628,397 Rights Shares
Enlarged number of Shares upon completion of the Rights Issue	:	484,835,256 Shares
Gross proceeds from the Rights Issue	:	Approximately HK\$51.95 million before expenses

As at the Latest Practicable Date, there are (i) 2008 Convertible Bonds in the aggregate principal amount of HK\$69,068,000, which 62,789,090 Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full; (ii) Team Sunny Convertible Bonds in the aggregate principal amount of HK\$39,805,651, which 36,186,955 Shares will be issued upon exercise of the conversion rights under the Team Sunny Convertibles Bonds in full; and (iii) Outstanding Share Options for subscription of an aggregate amount of 7,035,585 Shares under the Share Option Schemes.

LETTER FROM THE BOARD

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.

Assuming no Shares are issued or repurchased on or before completion of the Rights Issue, 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 Shares and approximately 71.43% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

The Subscription Price:

- i. a discount of approximately 10.18% to the closing price of HK\$0.167 per 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 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 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 theoretical closing price of approximately HK\$0.207 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0207 per Existing Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- v. a discount of approximately 6.83% to the theoretical ex-rights price of approximately HK\$0.161 per 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 Share to the benchmarked price of approximately HK\$0.200 per Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of

LETTER FROM THE BOARD

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 PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS" in this Prospectus. The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; and (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

The estimated net subscription price per Rights Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) after deducting the related expenses of the proposed Rights Issue will be approximately HK\$0.144.

Qualifying Shareholders

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

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.

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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 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.

Basis of provisional allotments

The basis of the provisional allotment shall be five (5) Rights Shares for every two (2) Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date, being 346,310,897 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 Shares held
5	The United States of America	50

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

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would, or might, in the absence of compliance with registration or other exemption requirements or other special formalities, be unlawful or impracticable and the cost to be incurred and time required for complying with the registration requirements would outweigh the possible benefits to the Company and the Non-Qualifying Shareholder.

The Company will send this Prospectus (without the PAL and the EAF) to the Non-Qualifying Shareholders for their information only.

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

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

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

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

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

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Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance (rounded up to the nearest 2 decimal places), with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Wednesday, 14 July 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**Merdeka Financial Group Limited — PAL Account**" and crossed "**ACCOUNT PAYEE ONLY**". The benefit of any rounding adjustments will be retained by the Company.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Wednesday, 14 July 2021 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "EFFECT OF BAD WEATHER 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" in the section headed "EXPECTED TIMETABLE" of this Prospectus), whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company is not obliged to but may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant person at a later stage.

If a Qualifying Shareholder wishes to transfer all of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it, the Qualifying Shareholder must complete and sign the "FORM OF TRANSFER AND NOMINATION" in the PAL and hand the PAL to the transferee(s) or through whom the Qualifying Shareholder are transferring his/her/its rights. The transferee(s) must then complete and sign the "REGISTRATION APPLICATION FORM" in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Wednesday, 14 July 2021 (or, under bad weather and/or extreme conditions, such later time and/or date as mentioned in the sub-section headed "EFFECT OF BAD WEATHER 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" in the section headed "EXPECTED TIMETABLE" of this Prospectus).

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If a Qualifying Shareholder wishes to accept only part of the provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or transfer part/all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Tuesday, 6 July 2021 with the Registrar, who will cancel the original PAL and issue new PAL(s) in the denominations required. The new PAL(s) will be available for collection from the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

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

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

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If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Underwriting Agreement as set out in the paragraph headed “Conditions of the Underwriting Agreement” under the sub-section headed “THE UNDERWRITING AGREEMENT” is not fulfilled or waived (as applicable) by the Latest Time for Termination (i.e. at or before 4:00 p.m. on Thursday, 15 July 2021), the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Thursday, 22 July 2021.

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

Excess application for the Rights Shares

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

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- 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.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. on Wednesday, 14 July 2021. All remittances must be made by cheque or cashier’s order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier’s orders must be issued by, a licensed bank in Hong Kong and made payable to “**Merdeka Financial Group Limited — EAF Account**” and crossed “**ACCOUNT PAYEE ONLY**”. The benefit of any rounding adjustments will be retained by the Company. The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:30 p.m. on Monday, 21 June 2021.

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The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or before Wednesday, 21 July 2021. If no excess Rights Shares are allotted to the Qualifying Shareholders, a cheque for the amount tendered on application is expected to be refunded in full on or before Thursday, 22 July 2021. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the surplus application monies are also expected to be refunded to them on or before Thursday, 22 July 2021.

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

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

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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.

Application for listing of the Rights Shares

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 20,000 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. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

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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.

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

Conditions of the Rights Issue

The Rights Issue is conditional upon 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 necessary resolution(s) for approving the Rights Issue has been duly passed by the Independent Shareholders at the EGM on Tuesday, 15 June 2021 at 11:00 a.m..

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 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.

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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.

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 and complied with Rule 10.24A(1) of the GEM Listing Rules

Number of Underwritten Shares : 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 248,628,397 Rights Shares

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

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.

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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 relation to the placing of up to 40,800,000 Existing Shares under general mandate which was completed on 6 August 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 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 consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

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

- a. the 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;

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- c. the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- d. the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- e. the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- f. the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- g. the compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- h. the compliance with and performance of all the undertakings and obligations of Team Sunny, or any of its nominee(s), under the Team Sunny Irrevocable Undertaking;
- i. the compliance with and performance of all the undertakings and obligations of each of Mr. Jin and Mr. Shang under the CB Holders' Irrevocable Undertakings;
- j. the compliance with and performance of all the undertakings and obligations of all the Excluded Options Holders under the Excluded Options Holders' Irrevocable Undertakings;
- k. there being no event which would have rendered any of the warranties given by the Company under the Underwriting Agreement untrue or incorrect in any material respect occurring prior to the Latest Time for Termination;
- l. the Shares remaining listed on GEM of the Stock Exchange at all times prior to the settlement date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a period of more than ten (10) consecutive trading days at any time prior to the Latest Time for Acceptance, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; and

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- m. compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

As at the Latest Practicable Date, conditions (a) and (b) have been fulfilled, conditions (c) and (d) above are expected to have been fulfilled on the Prospectus Posting Date and all the other conditions remain unfulfilled. Save for the conditions (g), (k) and (l) which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - i. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - ii. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the

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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 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.

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.

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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 39,073,000 Shares, 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 50,000,000 Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full and the Team Sunny Convertible Bonds in the outstanding principal amount of HK\$39,805,651, which 36,186,955 Shares will be issued upon exercise of the conversion rights under the Team Sunny Convertible Bonds in full.

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 39,073,000 Shares beneficially held by it; (b) it will not dispose of the 39,073,000 Shares comprising the current shareholding in the Company owned by Team Sunny and such Shares, will remain beneficially owned by it up to and including the Record Date; (c) it will lodge its acceptance of the 97,682,500 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; (d) it will not exercise any of the conversion rights attaching to the 2008 Convertible Bonds and the Team Sunny Convertible Bonds held by it up to and including the Record Date; and (e) that the 2008 Convertible Bonds and the Team Sunny Convertible Bonds held by it will remain registered in the name of and beneficially owned by it up to and including the Record Date.

CB Holders' Irrevocable Undertakings

As at the 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 6,394,545 and 6,394,545 Shares respectively will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full at the conversion price of HK\$1.10 per 2008 Conversion Share.

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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 7,035,585 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 3,532,000 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.

The estimated net proceeds from the Rights Issue, after deducting all necessary expenses, will be approximately HK\$49.79 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 approximately HK\$12.97 million for general working capital of the Group and facilitate the Group to capture potential business/investment opportunities which may arise in future.

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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, 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.

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).

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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 30 April 2021, the Group has a cash level of approximately HK\$25.7 million and approximately HK\$10.0 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\$15.7 million as at 30 April 2021.

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

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

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

At the same time, the Board did not conduct placing of new Shares under general mandate given the small market size of the Company while the fund raised through placing would not be sufficient to meet the repayment obligation of the Company in June 2021 and most importantly, placing of new Shares does not allow the Shareholders to maintain their respective shareholding in the Company as it will not offer an opportunity to the Shareholders to participate. Hence, the Board considers that the Rights Issue represents an opportunity for the Company to increase its liquidity, strengthen its capital base and enhance its financial position by meeting its immediate funding needs through repayment of

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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 approximately HK\$12.97 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.

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 EXERCISES OF THE COMPANY IN THE PAST TWELVE MONTHS**”.

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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.

(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

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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.

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.

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Market competition is another key factor affecting our business. Apart from the large multi-national corporate consultancy institutions with global network and local presence in Hong Kong, the Group 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.

(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.

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EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement is as follow:

	(i) As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			(ii) Assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full		(iii) 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 Shares</i>	<i>Approx. % (Note 5)</i>	<i>No. of Shares</i>	<i>Approx. % (Note 5)</i>	<i>No. of Shares</i>	<i>Approx. % (Note 5)</i>
Team Sunny ^(Note 1)	39,073,000	28.21%	136,755,500	28.21%	136,755,500	28.21%
Mr. Cheung ^(Note 2)	5,578	0.01%	19,523	0.01%	5,578	0.01%
Ms. Tsang ^(Note 3)	900,000	0.65%	3,150,000	0.65%	900,000	0.18%
Options Holders	—	0.00%	—	0.00%	—	0.00%
Underwriter ^(Note 4)	—	0.00%	—	0.00%	88,128,397	18.18%
Sub-underwriters ^(Note 4)						
— Sub-Underwriter A	—	0.00%	—	0.00%	80,500,000	16.60%
— Sub-Underwriter B	—	0.00%	—	0.00%	80,000,000	16.50%
Other public Shareholders	98,545,781	71.13%	344,910,233	71.13%	98,545,781	20.32%
Total	<u>138,524,359</u>	<u>100.00%</u>	<u>484,835,256</u>	<u>100.00%</u>	<u>484,835,256</u>	<u>100.00%</u>

Notes:

1. Team Sunny is owned as to 100% by Mr. Wong, whose is deemed to be interested in 39,073,000 Shares pursuant to the Part XV of the SFO.
2. Mr. Cheung is an executive Director of the Company and personally interested in 5,578 Shares.
3. Ms. Tsang is an executive Director of the Company and personally interested in 900,000 Shares.
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, including the sub-underwriters, that (i) each of the subscribers or purchasers of the Untaken Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates; (ii) the public float requirements under the GEM Listing Rules shall be fulfilled by the Company upon completion of the Rights Issue; and (iii) any subscription or purchase of the Untaken Shares by the Underwriter and each of the subscribers or purchasers procured by the Underwriter shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter and the subscribers or purchasers procured by the Underwriter upon completion of the Rights Issue.

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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 two sub-underwriters, being Zhong Jia Securities Limited (“**Sub-Underwriter A**”) and Venus Sky Investment Limited (“**Sub-Underwriter B**”) who are third parties independent of, not acting in concert with and not connected with the Company and its connected person, any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates and are independent of each other. Sub-Underwriter A will sub-underwrite 80,500,000 Underwritten Shares (representing approximately 16.60% of the enlarged share capital of the Company immediately after completion of the Right Issue) and Sub-Underwriter B will sub-underwrite 80,000,000 Underwritten Shares (representing approximately 16.50% of the enlarged share capital of the Company immediately after completion of the Right Issue). Apart from the aforesaid sub-underwriting commitment, the said sub-underwriters did not hold any Shares and the Underwriter and both of the sub-underwriters have not yet procured subscriber(s) for the Underwritten Shares as at the Latest Practicable Date.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, according to the disclosure of interest filings made by Sub-Underwriter A and Sub-Underwriter B, the ultimate beneficial owner(s) of (i) Sub-Underwriter A are Guo Haomin, Lau Hoi Pang, Chau King Hong Claude and Wong Chi Yan; and (ii) Sub-Underwriter B are Tang Oi Ying, Tran Hong Anh, Lam Cheung Kwan Brian and Wong Sau Fan, and they are Independent Third Parties and not connected with the Company and its connected persons and complied with Rule 10.24A(1) of the GEM Listing Rule.

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 EXERCISES OF THE COMPANY IN 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	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net 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; (ii) approximately HK\$12.64 million for repayment of an advance from Mr. Cheung; (iii) approximately HK\$14.86 million for repayment of a promissory note which was due on 4 April 2017; and	(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 has been repaid to Mr. Cheung in respect of the advance; (iii) approximately HK\$14.86 million has been repaid of the promissory note which was due on 4 April 2017; and

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Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
			(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\$28.30 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 (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 ”).	(i) approximately HK\$8.00 million has been settled with Mr. Wong in respect of the 2019 PN; and (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 SHARE OPTIONS

As at the Latest Practicable Date, there are (i) Outstanding Convertible Bonds which are applicable for convertible into a total of 98,976,046 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, as a result of the Rights Issue. 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

LETTER FROM THE BOARD

Outstanding Convertible Bonds and; (ii) the exercise prices and numbers of the Outstanding Share Options and such adjustments will be made by the Company in this regard in the allotment results announcement of the Right Issue.

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.

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

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

Any Shareholder or other person dealing in the 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 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).

ADDITIONAL INFORMATION

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

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

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 30 April 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had bank borrowings of approximately HK\$551,000, lease liabilities of approximately HK\$1,872,000 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 30 April 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 30 April 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 Prospectus after due and careful enquiry and taking into account the present internal financial resources available to the Group and taking into account the completion of the Rights Issue.

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.

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 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)
	(71,875)	49,790	(22,085)	(0.543)
		(22,085)	(0.543)	(0.046)

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

Notes:

- 1) The audited consolidated net tangible liabilities attributable to owners of the Company as at 31 December 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 Share Consolidation of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 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 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 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 Prospectus.



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

Dear Sirs,

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

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 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 the Prospectus is solely to illustrate the impact of the significant transaction on consolidated net tangible liabilities of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 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, 29 June 2021

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital in the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares 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>2,000,000,000</u> Shares of HK\$0.10 each	<u>200,000,000.00</u>

Issued and paid-up share capital:

<u>138,524,359</u> Shares of HK\$0.10 each	<u>13,852,435.90</u>
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- ii. **The following table illustrates the share capital structure of the Company immediately after 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> Shares of HK\$0.10 each	<u>200,000,000.00</u>

Issued and paid-up share capital:

138,524,359	Shares in issue as at the Latest Practicable Date	13,852,435.90
346,310,897	Rights Shares to be allotted and issued under Rights Issue	34,631,089.70
<u>484,835,256</u>	Shares in issue immediately upon completion of the Rights Issue	<u>48,483,525.60</u>

All of the 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 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 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 are (i) 2008 Convertible Bonds in the aggregate principal amount of HK\$69,068,000, which 62,789,090 Shares will be issued upon exercise of the conversion rights under the 2008 Convertible Bonds in full; and (ii) Team Sunny Convertible Bonds in the aggregate principal amount of HK\$39,805,651, which 36,186,955 Shares will be issued upon exercise of the conversion rights under the Team Sunny Convertibles Bonds in full.

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 7,035,585 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\$333.3	3,585
20 January 2021	20 January 2021 to 19 January 2024	HK\$0.15	3,532,000
20 January 2021	20 January 2021 to 19 January 2026	HK\$0.15	3,500,000

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 in Shares and underlying Shares

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

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares 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	39,073,000	86,186,955	125,259,955	90.42%
Mr. Cheung Wai Yin, Wilson <i>(Note 2)</i>	Personal	5,578	—	5,578	0.004%
Ms. Tsang Kwai Ping <i>(Note 3)</i>	Personal	900,000	—	900,000	0.65%

Notes:

- 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	39,073,000 ^(Note)	28.21%

Note: Team Sunny is owned as to 100% by Mr. Wong whose is deemed to be interested in 39,073,000 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	86,186,955	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

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 Judgment.

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

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

On 20 May 2019, the High Court ordered that the Petition made by Mr. Au Kai To Karel (the "**Petitioner**") under HCCW 343 of 2017 to wind up the Company be dismissed with costs payable by the Petitioner to the Company. 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. EXPERT AND CONSENT

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

Name	Qualifications
Elite Partners CPA Limited	Certified Public Accountants

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

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

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

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 a non-executive director of Sino Golf Holdings Limited (stock code: 361), a company listed on the Main Board of the Stock Exchange. He was the chairman and an executive director of DeTai New Energy Group Limited (stock code: 559) (“**DeTai**”), a company listed on the Main Board of the Stock Exchange, from July 2009 to May 2021 and 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, a 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.

Audit committee

The Company has established the audit committee with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the audit committee are to ensure the objectivity and credibility of the Company’s financial reporting and internal control procedures as well as to

maintain an appropriate relationship with the external auditor of the Company. As at the Latest Practicable Date, the audit committee of the Company comprises of three independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Ms. Ng Ka Sim, Casina and Mr. Wong Wing Kit, with at least one of whom has professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules.

13. GENERAL

- (i) The English text of this Prospectus shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Ms. Hau Hei Man, Sonya, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute 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. BINDING EFFECT

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

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

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

16. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (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 report from Elite Partners CPA Limited on the unaudited pro forma financial information of the Group upon Completion, the text of which is set out in Appendix II to this Prospectus;
- (v) the written consent referred to in the paragraph headed "8. EXPERT AND CONSENT" in this Appendix;
- (vi) the material contracts referred to in the paragraph headed "9. MATERIAL CONTRACTS" in this Appendix;
- (vii) the Circular; and
- (viii) the Prospectus Documents.